

# American Capitalism

1607-1800

*The story of the first two hundred years of capitalism in this country, with its early fortunes built from slave-trading, profiteering and exploitation, and the class antagonisms engendered in early American society.*

BY ANNA ROCHESTER

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# AMERICAN CAPITALISM 1607-1800

BY ANNA ROCHESTER



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## PART ONE

1607-1763

Long before the English and the Dutch started their settlements in North America, western Europe had been looking to lands beyond the Atlantic Ocean as a source of wealth.

From South America, Spain had drawn treasures of gold and silver, which the merchant world of the 16th century believed to be the supreme source and assurance of prosperity. Spain held much of that continent in bondage. Her conquering traders were scattered about the Gulf of Mexico and came, later, into conflict with the French and the English. In 1566 they had set up a fortified port at St. Augustine on the eastern coast of Florida. From Mexico northward, the Spanish had penetrated the agricultural communities of the Indians and were amassing wealth from their labor.

French traders had stations along the St. Lawrence and made high profits from furs brought to them by Indian trappers.

Fishermen from Normandy and from the West Country of England had long been making yearly voyages across the narrow North Atlantic to the fishing banks from eastern Maine to Newfoundland.

But not until the latter part of the 16th century did Englishmen begin to stake their claims in the New World. Their attempts at settlement failed, and along the more than fifteen hundred miles of the Atlantic coast, north of St. Augustine, no European settlement had survived before the English came in 1607 to Jamestown, Virginia.

Rivalry in world commerce had sharpened among the Spanish,

the Dutch, and the English. Spain, mistress of the seas in the 16th century, had seen her Armada routed by the English in 1588. Spanish treasures of gold and silver gave little stimulus to change and progress, and Spanish strength had waned while the inner strength of England was increasing. Spain suffered losses also in the Netherlands, where a new nation, strong in industry and commerce, had thrown off the shackles of Spanish rule.

English victory over Spain, sealed in the treaty of 1604, released more English capital for new ventures. But England had not yet achieved world leadership in sea-power and trade. As Spain declined, it was the Netherlands that stood forth as the great merchant power of the Atlantic world.

Dutch mariners had taken possession of spice islands in the far Indies. Nearer home, across narrow waters from the English coast, Dutch traders had acquired footholds which aroused the jealousy of the rising English merchants. The prosperity of the Dutch merchants was in itself a "success story" which further stirred the ambitions of the merchant class in England.

When the English merchants began seriously to think of promoting colonial settlement in North America, fisheries and furs were both part of their plans. Enterprising shipmasters reckoned that they would gain from having permanent fishing stations on the American coast. These could have a longer fishing season than ships based on the old country, while their catch could be brought to England in other ships that did not themselves engage in the fishing. And why should furs be bought from the Indians through French traders when English trading posts could keep the profits from furs in English pockets?

Then too, there was the need for timber. English iron works and English shipbuilders had been nibbling so steadily at the English forests that they were beginning to import timber and wood fuel from the Baltic countries. The expanding cloth industry wanted more wood dyes and potash. In fact, forest reserves were no less important to the world of the 17th century than coal and iron have been to the world of modern industry. Dependence upon foreign resources alarmed the English business-

men who believed that only a self-sufficient country could be truly prosperous. Why not take possession of the great forests along the northern American shores and let English settlers there supply the timber and wood fuel and other forest products needed for English industries?

They wanted also English-controlled supplies of hemp, flax, cotton, silk, rice, sugar, spices, fruits, and wines. So from the viewpoint of merchants in the old country, settlements in the West Indian islands were no less important than colonies in North America.

Furthermore, fantastic as it appears today, some of the merchants, eager for closer trade with the East Indies, were ready to support colonial projects on the chance that they might discover a new and shorter route to the Far East.

And always there was the hope of finding gold and silver.

## ENGLAND OF THE SEVENTEENTH CENTURY

The 17th century, in which were founded all of our Thirteen Colonies except Georgia, marked a very special stage in the transition from feudalism to a capitalist economy. The merchant empires of England and the Netherlands led all other countries in this development.

Land was still the chief source of wealth, and agriculture was the chief occupation of those who toiled for others' profit. But the bonds of serfdom had been snapped. And within the shell of the feudal structure the new merchant wealth had been growing and gaining power. Craftsmen breaking away from their old feudal guild restrictions found themselves more and more exploited by merchants who took their products.

Far in the future were modern industry and the factory system. Mining and smelting, and spinning and weaving, for sale and not for use, were carried on by families and groups of artisans owning their tools and selling their products as best they might. But these artisans were slipping into dependence upon the merchants who linked them with the towns and whose ships carried their products abroad. In the European world, both in towns and

out through the countryside, poverty and misery cast a long shadow across the path of merchants and landlords. And thousands of homeless paupers, wandering without jobs and without hope, fell into robbery and other crime.

Ever since the great voyages of the 1490's, ships had been sailing to distant lands. With wider horizons spread before men's eyes, their minds were alerted to new conceptions of the world, new sources of profit, new possibilities of release and growth. In the Netherlands, revolt against the papacy and the despots of the Holy Roman Empire had brought in 1581 a large measure of national independence, opening the way to a modern democratic state.

Even earlier, in England, Henry VIII had defied the Pope, but his English Church remained an instrument of feudal power. And from the days of Queen Elizabeth, many groups among artisans and merchants had been breaking away from this Established Church to find self-expression in more democratic religious bodies.

It is no accident of history that the migration of Pilgrims and Puritans seeking freedom in a new England preceded, by barely a generation, a fierce armed struggle within the old country between lords and commoners. Although, after this civil war, Stuart kings were restored to power in 1660, the Crown was compelled immediately to accept from Parliament a comprehensive land act which liberated the masses on the land from feudal service to the lords.

Merchants were the most important pioneers of capitalism. They invested money in goods and ships and, if all went well, they drew from their commerce a profit on the capital they had invested in it. They were taking the first steps toward capitalist production as they began supplying spinners with wool and weavers with yarn and contracted with the workers for their finished goods. Money-lending and the merchants' bills of exchange were slowly developing toward the modern apparatus of banking. But a third generation of colonial Americans had been born before the Bank of England was established.

Modern industry had not yet been developed. Community divi-

sion of labor was still crude, and neighborhood markets could not absorb all the products of the specialized craftsmen. Only merchants engaged in distant trade offered an adequate outlet. Then the merchants began to supply the materials and tied the craftsmen to dependence upon the merchant. This opened the way for direct exploitation, as the merchant pushed down the price paid to the artisan for his product and, selling at a higher price, took for himself part of the value which the artisan produced.

Those living from work on their land (who had always been exploited by feudal overlords) were also losing such security as they had had. Some were driven from their holdings. Those who remained, if they produced for sale, found merchants in possession of the market and pushing down the prices that farmers received.

Many young people wandered about the country, without learning a craft and often without any employment whatever. Thousands of these "troublesome" poor along with others who were able-bodied "criminals" were later shipped to the colonies to work there as indentured servants for English settlers.

Such widespread poverty and insecurity contrasted sharply with the wealth of landlords and merchants and the "glories" of the Elizabethan age. But even the feudal landlords found their power slipping as the newer wealth of the merchants brought these upstarts into the forefront of political life. It gave the wealthy traders entry to the court, with titles for the Queen's favorites.

## MERCHANT CAPITAL EXPANDING

Merchants were the forerunners of modern capitalism. They not only perfected the art of buying cheap and selling dear and thus piling up profits on accumulated capital. They were also combining in groups for common projects, and from such temporary groups they developed the form of business corporations as we know them in our modern world. Such groups and chartered companies were granted by the crown a royal monopoly,

the earliest (in 1553) for trade with Russia, another with Turkey and the eastern Mediterranean, a third with the Barbary coast, a fourth with Guinea, and a fifth, the largest of all, with East India<sup>1</sup>.

Trade and piracy were closely akin. Queen Elizabeth had welcomed at her court such heroes as John Hawkins and his son Richard, who first brought captured Negroes from the coast of Africa, and Francis Drake, pirate and slave-trader, whose *Golden Hind* was the first English ship that circled the globe.

Businessmen firmly believed, in those days of merchant capital, that a nation could grow and prosper only as it built a self-sufficient empire, providing within its own boundaries all the materials and foods wanted for production and living, together with a substantial surplus for export trade. This creed, which we know as "mercantilism," reflected the stage of economic development in the 17th and 18th centuries. Productive capacity was far less developed than it was in the 19th century. And the money metals were scarce, while internal trade and foreign commerce had grown far ahead of any banking mechanism. Gold and silver appeared to be the supreme form of wealth, as well as a necessary medium of exchange. Merchants in countries having no mines to produce the precious metals could maintain and legally increase their scanty supply of money only by shipping a surplus of exported products with total value well above the total value of imported materials, foods, and finished products. A nation's trade balance was "favorable" when exports (plus receipts from shipping and the carrying of goods in foreign trade) were larger than imports and payments to ships of other nations for their carrying charges.

Conflicts and adjustments in the shift from the feudal and commercial to the beginnings of capitalist production were reflected in political and religious developments of the 16th and 17th centuries. These tangled threads of business profit and the quest for precious metals, of progress toward political democracy and revolt from the official Church of England, all appear in the pattern of England's colonial expansion. Sometimes the merchants took the lead in colonial settlement. Some "gentlemen"



hoped to found a new feudal domain. Sometimes merchants or "gentlemen" were ready to back groups of artisans (like the Pilgrims and the Puritans) who had special reasons of their own for seeking a foothold in a new country.

Since the 16th century, the French had been bringing furs from their trading posts in northern America. Two early English ventures at settlement in Carolina and in Maine had failed completely. Then, after the Dutchman, Hendrik Hudson, had found his way in 1607 up the mighty river south of the French St. Lawrence, the Dutch set up trading posts for furs not only on Manhattan Island but at Albany. (During the Dutch-English wars for world trade supremacy the Dutch lost their hold on the Hudson Valley in 1664.)

Throughout the colonial years, at various points along the western frontier, the fur trade continued to be a major source of wealth to the English in North America as well as to the French in Canada. In spite of efforts by the English government to control the fur trade with an eye to public revenue, it was privately developed as a form of big business, immensely profitable to English and colonial merchants. They paid the Indians in rum and merchandise with total value far below the prices which the merchants would receive for the furs.<sup>2</sup>

But fur-trading did not satisfy the English businessmen. They wanted not only year-round trading posts but English settlements for producing the timber and tar and turpentine for which English shipping had become dependent on the Baltic countries. They wanted silks and other luxury products. And above all they hoped for mines of gold and silver.

## PROMOTING SETTLEMENT

Companies and groups making the great venture of settlement on a strange continent were financed—and often promoted—by leading lords and merchants. Among the magnates in the London Company which backed the Virginia colony, for example, was the third-generation merchant prince, Sir Thomas Smith, whose father as collector of the queen's revenue had greatly in-

creased his family fortune. Sir Thomas was active not only in the Virginia company but in the new East India Company and other trade monopolies. Another was Robert Rich, second Earl of Warwick, a leading Puritan with vast commercial interests which included a private navy specializing in attacks on Spanish treasure ships.

In New England, several groups were involved. Promoters of the first Maine colony (which failed) were the chief justice of England and his friend, Sir Fernando Gorges, governor of the port of Plymouth. Gorges persisted in promoting fisheries and trading with the Indians along the coast of Maine, and gathered a group of wealthy West England men about him. In 1620, when the Pilgrims were sailing from Holland, the Gorges "Council for New England" was obtaining title to all of New England. But the Council made no headway in actual settlement and surrendered its charter in 1635. Gorges himself received a royal patent as proprietor of Maine, and his royalist friend, John Mason, was confirmed as owner of large holdings in New Hampshire.<sup>3</sup>

To Plymouth in 1620 came the Pilgrims—English artisans and their pastor—who had fled as religious refugees to Holland and whose voyage to New England was financed by loans from friendly Puritan merchants. To Boston, nine years later, came a group including more prosperous Puritans, led by John Winthrop, a country squire, and Thomas Dudley, the well-fixed steward of a Puritan earl. That large interests were involved is attested by the statement (accepted at the time) that the settlement of Massachusetts Bay cost its promoters £200,000.<sup>4</sup> Within a few years this Massachusetts Bay Company, which financed the Boston settlement, was reorganized—with some financial loss—and the company headquarters were transferred to the colony. This gave the Boston colony a uniquely independent status until 1684 when the company charter was annulled, and a royal governor was installed.

Later, "proprietary" land grants were given by the Crown to favored individuals who had rendered some special service or for some reason enjoyed royal favor. William Penn, for example,

was the son of an Admiral in the King's Navy, who died in 1670 leaving a claim against the Crown for £16,000. Some years later (in 1681) William Penn received in settlement of this claim the grant of land which became Pennsylvania. Penn actively promoted migration to his colony as a refuge for his fellow Quakers. He was well rewarded by the proprietary tax, levied in the form of quitrents, upon all landowners in the colony.

Maryland was another colony started with an eye to developing a feudal principality. George Calvert had been a statesman's private secretary and then, himself, a member of the Privy Council. He had won the favor of King James by defending his measures in Parliament. When Calvert in 1625 became a Roman Catholic, the king made him Baron of Baltimore and granted his request for land in America. After an unsuccessful venture in Newfoundland, Baltimore petitioned for a grant farther south, and in 1632 he was given the land along the Potomac which became the province of Maryland. Actual settlement was promoted and managed from England by his son, and then in Maryland itself by his grandson. But after a boundary dispute between Lord Baltimore and William Penn, and a vigorous Protestant revolt among the Maryland settlers, Baltimore withdrew, and in 1692 his colony became a royal province. Quitrents which had been received by the Calverts became payable to the Crown.

The early story of New Jersey and the Delaware River region reflected a confusion of conflicting interests. In 1609, Henry Hudson, an Englishman employed by the Dutch East India Company, did some pioneer exploring not only along the river which bears his name but also in the area which we know as northern New Jersey. Shortly afterward, Dutch fur-trading posts were set up on the Jersey shore of the lower Hudson and also along the Delaware River. But Swedish merchants nosed into the picture, and succeeded in establishing the first real settlements along the Delaware. These settlements in northern New Jersey were taken over by the Dutch in 1655, but nine years later—in the course of the world-wide struggle between the Dutch and the English—the English king claimed possession and included the whole area in a feudal grant to the Duke of York. This duke, in

turn, gave the southwestern part of his grant to his titled friends, Berkeley and Carteret, calling it New Jersey because Carteret had been governor of the Island of Jersey in the English Channel.

Meantime, in 1624, the Dutch West India Company had sent a few settlers to Fort Orange, now Albany, and two years later to Manhattan Island. This island (now having assessed valuation for land and buildings of \$7,754,000,000<sup>5</sup>) they proceeded to buy from the Canarsee Indians, paying them in knives, beads, and trinkets valued by the Dutch at 60 guilders, roughly equivalent to twenty-four dollars. The Company maintained close control over all business in these settlements which they called New Netherland. After 1657, they issued licenses at 20 guilders (about eight dollars) for the "small burgher right" entitling other traders to carry on business in the town of New Amsterdam. The "great burgher right," required of all who held office, whether political, ecclesiastical or military, cost 50 guilders.<sup>6</sup>

Wishing to hold their own with their English rivals, the Dutch company offered vast tracts of land in the Hudson Valley as feudal manors for any wealthy Dutchmen who brought out at their own expense fifty families of tenants.<sup>7</sup> Several great estates were set up in this way, but only the Kiliaen Van Rensselaer tract of more than 700,000 acres near Albany was actually developed and maintained on the manorial basis. Van Rensselaer was left undisturbed when the British and their fur traders took over the Dutch colony in 1664. New Netherland as a whole then became a proprietary possession of the King's brother, the Duke of York. But, as we have noted, the Duke passed on to two of his friends the sparsely settled lands east of the Delaware River which were later developed by groups of Proprietors as East New Jersey and West New Jersey.

## DISPLACING THE INDIANS

The fact that North America was the home of another people who might not welcome the arrival of European settlers was scarcely taken into consideration. These "Indians" were regarded

as half-naked wandering savages, convenient as fur trappers but otherwise unimportant.

Actually, of course, it was the Indians who had made habitable clearings in the primeval forest on sheltered bays and along the coastal rivers. In New England, the colonists found unoccupied on the coast "much cleared ground for tillage and large marshes for hay and feeding of cattle" because a few years earlier a devastating plague had "swept away most of the Inhabitants all along the Sea coast, and in some places utterly consumed man, woman and childe, so that there is no person left to lay claime to the soyle which they possessed."<sup>8</sup>

Indians who were still living along the coast helped the new arrivals with food. The Pilgrims landed in the autumn (1620) and could scarcely have survived the winter without their generous aid. These Indians also taught the foreign invaders how to grow corn and tomatoes and pumpkins and other foods which had been unknown in Europe. Native crops which the Indians showed European settlers how to cultivate (here and in the other colonies) make up today about four-sevenths of our total crop production in the United States.

Settlers copied the Indians in their method of clearing additional land—girdling the giant trees and planting their crops under the leafless boughs until the dead timber was easy to cut and burn and the ground could be completely cleared. From the Indians they learned, also, the secrets of woodcraft, the making of trails, the building and handling of canoes. And it was friendly Indians who later guided traders and settlers across the Appalachian Range and opened their continent to the invading white man.

Some 150,000 Indians lived in the eastern woodland between the Atlantic seaboard and the Mississippi River when the English settlers came. They were not only well-versed in cultivating corn and vegetables but knew also how to make cloth and pottery, arrow-heads, hoes and a few simple tools. But there were wide differences among the tribes. The Iroquois of the Mohawk Valley were friendly and ready to trade with the Dutch and then with the English. They were hostile toward the French who

sided with the Algonquin tribes in the wars of the 17th century.

After obtaining firearms in trade with the Dutch the Iroquois tribes, organized in a broad League, were successful during the middle of the 17th century in defeating the Algonquin and other tribes. By checking and holding off the French in their attempted extension southward from Canada, the Iroquois greatly aided the English colonists.

So long as northern colonists were few and their settlements were near the coast, all Indians regarded them as friends. But as the white tide moved inland, more and more they sensed the threat to their own existence. At least in New England, the invaders were leaving undisturbed the fields which Indians had planted. But when they began taking possession of forests in which Indians—who had no domesticated livestock—hunted for their animal food, the colonists brought upon themselves hostile and bloody attacks.

In Virginia, hostilities began much sooner than in Massachusetts. In 1609, two Indians, "fettered prisoners" taken captive by the settlers, guided them in the planting of corn. But that same year Captain John Smith "seized Powhatan's birth-right, an Indian site now Richmond 'at the falls' together with 'drie houses for lodgings, 300 acres of grounds readie to plant; and no place so strong, so pleasant and delightful in Virginia'."<sup>9</sup>

After watching quietly such forcible occupation of their lands, the Indians attacked Jamestown in the famous massacre of 1622, and guerrilla warfare continued for several years thereafter.<sup>10</sup> Some individual settlers had wished to be friendly with the Indians, but the classic tales of Captain John Smith, and of John Rolfe's marriage with the captive Pocahontas, tend to obscure the ruthless methods of the colony and the natural resentment which these called forth.

Throughout the colonial period Indians played an extremely important economic role. Chiefly through Indians did the settlers and traders obtain the furs and skins which brought enormous profits and became one of the chief sources of rapidly accumulated wealth for colonial merchants. In the earliest years, the fur trade was carried on within easy reach of the coastal

settlements. But as the white population increased, few fur-bearing animals remained there. The business of trapping and trading moved westward, keeping always in advance of the settled frontier. More or less informal neighborhood trading with friendly Indians gave place to organized agencies financed by men of property. And in one region after another the Indians' own economy was disrupted by the traders' persistent lure of manufactured goods and rum. William Penn wrote that "For a sixpence worth of rum one may buy the fur from them that five shillings in any other commodity shall not purchase."<sup>11</sup>

## LAY OF THE LAND

Colonies differed markedly in the physical characteristics of the regions where they were settled and in the economy which emerged. Both North and South are well supplied with natural inlets and bays which gave sheltered ports for the small ships of the seventeenth century. As one writer puts it, "The inviting doors of the northern Atlantic Coast of America beckon always outward and thus made it possible for the struggling colonies to keep their saving contacts with the Old World."<sup>12</sup> But behind these beckoning ports, the coastal regions of New England and Virginia have quite different natural formations.

New England, with its mountains only fifty to eighty miles from the shore, had large patches of good farm land, but nothing to compare with the broad fertile stretches of the tidewater regions in the South. New England streams tumble more or less swiftly down to points near the ocean. Their "fall line" was not far from the early settlements along the shore. Only two or three waterways could carry even the small ocean-going ships of that day into the back country.

In the South, on the other hand, the wide coastal plain stretches some two hundred miles between mountains and sea. Settlers found broad areas of rich land along slow-moving streams where the ocean tides crept into the interior and ships from across the sea could touch directly at inland plantation wharves. And behind this tidewater region, fertile lands climb gradually through

the rolling fields of the piedmont to the foot of the Appalachian mountain range.

Between the bays of the North and the tidal rivers of the South lies a stretch of shore which differs from them both. From the great bay which receives the waters of the Hudson River, southward to Cape May, the Jersey coast has neither friendly bays nor tidal rivers to welcome sea-going ships. But west of New Jersey, along the Delaware River, settlers—Dutch, Swedish, and English—had begun to take up land before William Penn and the New Jersey Proprietors came into the picture. They were almost self-sustaining and had little outside trade until after 1682 when Penn began to develop the inland port at Philadelphia.

## DISTRIBUTING THE LAND

In all colonies, though in varying degrees, there was almost from the beginning uneven distribution of property in land. Holdings in the proprietary colonies, where land was sold to the settlers, depended, of course, on how much land each settler could afford to buy.

In New England, where the colonists themselves largely managed their own affairs and brought with them some community feeling, the free settlers had for many years common use of the village pasture land. But even where, as at Plymouth, acreage for crops was, at first, merely assigned to individual families for cultivation, much land was soon held in private ownership, with considerable difference in the size of the holdings.<sup>13</sup>

Where settlement was managed by a company in which most of the settlers had no financial share, various means were devised for transferring the title to land to the settlers themselves. The Virginia Company, for example, rented small plots to farmers, and it gave hundred-acre tracts to settlers who had served the company for seven years. But while title to land was given to settlers who had used it, these owners were expected to pay two shillings a year on every hundred acres. This "quitrent"—a relic of European feudalism—was collected in the earliest years by



officials of the company and after 1637 by an official of the Crown. Later (by the end of the 17th century) quitrents were collected by the sheriff of each county, who received a commission of 10% from the sums he delivered to the auditor of the colony.<sup>14</sup> (In all colonies except the earliest New England settlements, quitrents were demanded by the Proprietor or by the Crown.)

The Virginia Company made special provision for groups of wealthy investors who would settle and develop an allotted tract. And it offered a way to increase individual holdings through the "headright" system.<sup>15</sup>

At the same time Virginia (and other colonies) utilized headrights to encourage the importation of indentured servants. In Virginia, for example, from 1618, the company—and later the colonial government—allowed a minimum acreage to each settler, with an additional allotment of land to any settler who added an indentured servant (or, later, a slave) to his labor force. This became an important method of acquiring extensive landholdings, as the planters and shipowners developed the arts of fraud and evasion for obtaining additional headrights.

"Men crossing the ocean several times claimed land under the headright for each trip. Sea captains obtained headrights on account of their sailors. Sometimes the same individual swore out headrights in each county. In other cases the ship captain, merchant, and planter, each in succession, secured headrights for bringing in the same individual. Sometimes planters jointly purchased the same servant and received two headrights. When other methods failed, names were presented copied from old record books or from tombstones. Finally the secretary of the Colony began to sell headrights at from 1 to 5 shillings apiece."<sup>16</sup>

After 1715 Virginia abandoned the principle of headrights and frankly gave large tracts of land to favored individuals.

Most colonies which allowed headrights in land granted these also to indentured servants who had completed their years of bondage. But such allotments to former servants were commonly smaller than the acreage allowed to a settler who had paid a servant's way to the colony.

Special grants of land were allowed in some colonies in return for services rendered to the community by magistrates, or ministers, or schoolteachers. In Massachusetts, land was given also to encourage the setting up of sawmills or salt works, or the manufacture of iron or copper, or gunpowder.<sup>17</sup> Relatively more people were landowners in New England than elsewhere. Even in the mid-18th century, Governor Thomas Hutchinson of Massachusetts remarked that "where there is one farm in the hands of a tenant, there are fifty occupied by him who has the fee [title] of it."<sup>18</sup> But obviously the owner of a small farm was in a far different situation from one who had acquired several hundred or even thousands of acres.

New England, however, developed little or no large-scale farming comparable with the plantation agriculture of Virginia and South Carolina. In New York, also, the prevalence of extremely large landed estates did not lead to large-scale farming enterprises. These estates appear even to have retarded the development of agriculture, for young farmers, reluctant to become tenants under the renting system, often migrated to other colonies where full title to land could be more easily obtained.

Large landed estates in New York and in the southern colonies were generally kept intact, throughout the colonial period. Here landed property was passed from the father to his eldest son under the old English rules of entail and primogeniture. Elsewhere, except in Rhode Island, landed property was divided among all the children, with a double portion for the eldest son.<sup>19</sup>

From the beginning, there were sharp class differences within the colonies. Even in this New World of "boundless opportunity," riches were acquired and expanded by control of land and capital and the exploitation of other men's labor. The fact that many penniless servants climbed to independence, and a few even to riches, tends to obscure these basic contrasts between rich and poor.

Actually, alongside the independent small producers there labored great numbers of indentured servants, most of them shipped to the colonies as paupers or criminals of whom the old country wished to be rid. It is estimated that some 50,000 convicts

were sent here from England during the century and a half of the colonial period.<sup>20</sup> Some prisoners of war captured by the Parliamentary Army in the civil war of the 1640's were sold as servants in the colonies. Other political prisoners were shipped to the colonies after disturbances in 1715 and 1745. But such few hundred "politicals" were a tiny minority in the total number.<sup>21</sup> In the northern colonies, these temporary slaves were mostly scattered by ones and twos and in small groups as laborers. In Virginia and the later southern settlements, great numbers were utilized on the plantations until they were later displaced by Negro slaves. And it has been estimated that in Pennsylvania, Maryland, and Virginia, at the time of the Revolution, three persons out of four were or had been indentured servants.<sup>22</sup> Some servants whose terms had expired continued to work as wage laborers, but many found more independent existence as farmers or artisans. Wages were considerably higher than in England, but laborers and even journeymen in skilled occupations existed at a level sharply contrasted with the luxury enjoyed by merchants and large landowners.

## FARMING IN THE COLONIES

None of the colonies followed exactly the pattern desired by the England of the "mercantilists." But Virginia and the later agricultural colonies of the South came nearest to the current ideal that colonies should depend upon the old country for shipping and for all manufactured goods while supplying staple crops and other products which the old country lacked.

In Virginia settlers began very early to raise tobacco, and in 1617 the colony shipped 20,000 pounds of it to England.<sup>23</sup> Tobacco exports climbed steadily, and by 1700 they amounted to some 11,500,000 pounds a year.<sup>24</sup> Tobacco was important also in Maryland and, later, in North Carolina. Planters of the tidewater also raised some food crops and livestock and developed a supplementary business in provisioning the ships which carried their tobacco to the old country. Their indentured servants—and, later,

their Negro slaves—including artisans of various trades, so that each plantation could be fairly self-sufficient, except for its basic equipment and such luxury goods as the wealthy imported from England.

Contrasts grew ever sharper between the small farms and the plantations which increasingly dominated the tobacco trade. Large plantations, with their many acres and many servants, could use their returns from tobacco exports for acquiring more servants and more land. They also drew merchant profit from handling the crops of their smaller neighbors and carrying on trade in such imported supplies as they and their neighbors desired. They could survive and prosper even when the price of tobacco dropped sharply and many of their smaller neighbors were ruined.

A very similar plantation economy was developed in southern Carolina (first settled in 1670), but here rice and, later, indigo were the staple crops. Northern Carolina, with more farmers and fewer plantations, exported some tobacco but also livestock and meats and the forest products known as naval stores which were greatly desired for English ships.

In the later 17th century, the supply of indentured servants was cut down, as the English government attempted to check kidnapping in the old country and the shipping of convicts to the colonies. Also the opening of Pennsylvania and increased settlement in other colonies made greater demand on this diminishing supply of white contract labor. The tidewater plantations depended more and more on Negro slaves as "cheap and self-propagating labor" for their field work and their handicrafts.<sup>25</sup>

While tidewater plantations were building up a wealthy class, hundreds and thousands of independent hard-working farmers were settling farther inland in the piedmont. Their patches of settlement were at first almost self-sufficient, but they needed things which they could not easily produce—guns, ammunition, kettles, and medicines—and from the beginning they carried on some trade with the tidewater. Livestock on the hoof was their most important product for the market, but the piedmont also raised some tobacco which was laboriously trans-

ported to tidewater in rolling hogsheads. And even the more remote and isolated areas sent out not only furs and nuts, honey and ginseng, but dried meat, butter, eggs, and lard.<sup>26</sup>

Gradually, as southern up-country population increased, community division of labor developed. Small weaving shops were set up to weave the yarn spun in farm households. With grain farming there developed custom grist mills. Various crafts were carried on by traveling journeymen or small-shop manufacturers. And small industries included sawmills, oil mills, brickyards, ropewalks, and ironworks. Around these small shops and mills of the piedmont, there developed thriving towns, while the plantation economy and the tidewater trade from plantation wharves were still holding back the growth of towns along the southern coast.<sup>27</sup>

New England agriculture was successful and varied. Its chief crops were Indian corn and other grains used by the colonists. But as early as 1627 the farmers were exchanging Plymouth tobacco for sugar, Holland linen, "stuffs" and other goods brought by Dutch traders from New Amsterdam.<sup>28</sup>

At first the New Englanders had difficulty with livestock. No forage plants had been developed by the Indians, since they had no grass-eating domestic animals, and the wild grasses gave more roughage than nourishment. But by the 1650's the settlers had been importing seeds from the old country, and their livestock were well fed with good grass and hay, and red and white clovers.<sup>29</sup> They were even beginning to send horses to the West Indies and were packing pork for export.

## FURS, FISHERIES AND FORESTS

Not farming, however, but furs, fisheries, and forests laid the foundation of New England's foreign trade and New England wealth.

As the fur-bearing animals within New England were slaughtered, the fur trade along the coast and on the Connecticut River declined. As early as 1645, furs were becoming less impor-

tant in New England than fisheries and forest products. But for those colonists of the first generation who were members of the company and shared in the fur monopoly which it tried (unsuccessfully) to enforce, furs had been a most profitable business, based on gross exploitation of the Indians.

From the Mohawks, one musket would buy 20 beaver skins.<sup>30</sup> And we are told of one New England settler who sold on credit to Indians, suffering from a crop shortage, 364 bushels of corn with the understanding (honorably carried out by the Indians) that they would bring in payment for each bushel of corn a beaver skin worth 18 shillings. The worthy "divine," who described this transaction in a pamphlet urging Englishmen to migrate across the ocean and make money, pointed out that from seed worth six shillings and eight pence this settler had gathered corn which brought him beaverskins worth 327 pounds.<sup>31</sup>

Fisheries were from the beginning a prime source of New England wealth. Before the first settlement was ten years old, New Englanders were exporting salt fish. Here monopoly was excluded by special order of the King and Council, and in 1664 the New Englanders had 1,300 fishing boats at work.<sup>32</sup> New England shipowners were beginning to compete with the English of the old country in carrying cod and herring to ports in France, Spain, and Portugal, Catholic countries which were the best markets for the choicest grades.

From the primeval forests, the New Englanders had begun early to export building lumber and barrel staves to the West Indies. They supplied oak bark for English tanners. They made potash and wood dyes needed by clothmakers in the old country. They sent wood fuel for English iron works. (Coal, of which England had great abundance, was of no use in the smelting of iron until 19th century science had shown how to purify coal and provide in coke a mineral substitute for wood.) They supplied timber for English shipbuilders. Only from such forests could the Royal Navy obtain its giant white pine masts, so stout and so tall that sixteen to twenty yoke of oxen were required to drag one tree, stripped of its boughs, from the forest to the waterside.<sup>33</sup>

## DEVELOPING INDUSTRIES

For many years, New England led the colonies in shipments of pitch, turpentine, and tar, the so-called naval stores indispensable for the building and conditioning of wooden ships. Later, naval stores came chiefly from the forests of the Carolinas and Georgia.

Yankees were soon competing with the old country in the building of ships. They brought over an English ship carpenter who built two small boats ("shallops") in 1624. One of these was used immediately to carry corn to Indians on the Kennebec River for exchange with furs.<sup>34</sup> A seaworthy coasting vessel was launched in 1631 and a three-hundred-ton ship in 1650. "By 1670 Massachusetts had turned out 730 vessels."<sup>35</sup> While some shipbuilding developed later in the southern colonies and in Pennsylvania and New York, New England remained the center of this industry.

Yankee-built ships became increasingly important to the English ship-owners. And even in the 17th century Yankee ships, owned and manned in the new country, were already tying up at English docks and encroaching upon the English merchants' trade monopoly. Then, "by 1775 30 per cent of the vessels in England's merchant marine were of American construction and 75 per cent of the commerce of the colonies was served by colonial ships."<sup>36</sup>

English ironmasters had counted on supplying the colonies with all their kettles and pots and farm tools, their hinges and nails and irons. But when John Winthrop, Jr., and other leading citizens of Massachusetts formed a company in 1642 to utilize the outcroppings of bog iron at Lynn, they found well-to-do Englishmen ready to invest in the project. They were also allowed to import skilled iron workers from England. Later, in the 18th century, the Principio Company, a large and profitable iron concern in Maryland, was promoted and financed by British ironmasters.<sup>37</sup>

Lynn had also been the site of the first colonial tannery, built in 1629, and about a hundred years later Lynn shoemakers began to manufacture for general trade and export.<sup>38</sup>

While it continued to be common practice in New England as elsewhere for families to spin after the main labor of the day was finished, and some cottage looms were used by men for whom weaving was the main occupation, the actual beginnings of a textile industry in this country were made in 1639. A group of Yorkshire workers, skilled in woolen textiles, came that year to Rowley, Massachusetts, and set up the first mill in this country for the fulling of woolen cloth. Much later, a group of flax-workers from the north of Ireland came to make linen for the market and settled at a new Londonderry on the Merrimac, not far from the site where Manchester, N. H., was later developed. No weaving mill with power looms was started until after the Revolution. Mill spinning came even later.

In general, the colonials were always in touch with the old country. And the incoming streams of settlers brought with them continually the skills which prevailed there. Throughout the northern and middle colonies, where there was little large-scale commercial agriculture and the settlers had everything to gain from increasing division of labor, the growth of their productive forces kept fully abreast of the technical changes in the countries from which they had come.

Steam power was, of course, still in the future. But with the scarcity of wage labor in a country where some land and a small-scale farm were not wholly beyond the poor man's reach, the colonies north of the plantation country developed great ingenuity in utilizing the powers of nature. In Boston harbor and a few other places, the power of the tides was harnessed. Among the Dutch and on Long Island, windmills were not uncommon. New Englanders made good use of their creeks and rivers. Sawmills, privately owned and operated, were among their first business projects. Gristmills were also small private concerns, but these were subject to regulation by the town and charged publicly fixed tolls for their services.<sup>30</sup> In the Middle Colonies, where flour became an important item in export trade, flour milling was developed on a much larger scale than in the other colonies. Here various related activities were brought together as "the owner supplemented his gristmill with a bolting mill, erected a



cooper's shop and a flour packing house, and even operated a bakery where hardtack biscuits were prepared for the export trade."<sup>40</sup>

Capital for these industrial developments came chiefly from the merchants and land speculators who had accumulated much more than an artisan or a small working farmer could ever hope to save in a lifetime of labor. Also, then as later, rich men in the old country invested in our industrial development, for the colonies were a very real part of English business life. Even in the 18th century, when English industry was increasingly concerned with the colonies as a protected market for English products, English business still looked to them as also a protected source of raw material for its industry and shipping. Many of the early companies in the colonies were started with the aid of English capital. And later, wealthy men in England and businessmen in the colonies co-operated in large-scale land speculation and the promoting of western settlement.

Very important was the way in which colonial magnates utilized their class control of the colonial governments to assist their industrial projects. They commonly received free grants of land, or exemption from taxes, or outright money payments from the public treasury.<sup>41</sup> John Winthrop of Massachusetts, for example, obtained in 1648 a 3,000-acre land grant on which he undertook to set up salt works producing 100 tons a year. Shortly afterward, Winthrop and his associates, prospecting for minerals in Connecticut, were promised by that colony all unoccupied "land, wood, timber, and water" within a radius of two miles, or even three, from any mines they might develop.<sup>42</sup> Some such favors were offered in practically all the colonies, but actual industrial development moved faster in New England, New Jersey, and Pennsylvania than elsewhere. New York landlords and merchants were content with their semi-feudal landed wealth and their profits from the rapidly expanding export trade in flour and provisions. Southern planters were tied down by their indebtedness to merchants bringing imported manufactures in exchange for the planters' slave-grown staple crops.

Even in New England and the Middle Colonies, industry grew

slowly and irregularly throughout the colonial period. In the earlier years, roads from one town to another were scarcely more than horseback trails, so that transport by land was exceedingly difficult. Settlers pushing in from the coast, without a navigable river, could not think of producing for trade with other towns any goods which could not be dragged on the ground, or carried in saddle bags, or rolled along in heavy hogsheads. Great masts for the royal navy would be laboriously transported from the forest to the shipping port by a long train of oxen.<sup>43</sup> Only toward the end of the 17th century were the colonists beginning to cut through roads for horse-drawn wagons and to build bridges where fords or ferries had formerly served.<sup>44</sup> Most of these were financed by private companies drawing profits from the tolls which they exacted.

## **BARTER AND EXCHANGE**

Lack of currency held back the development of industrial production. Incoming settlers brought little money into the colonies, for they commonly invested all they had in meeting the cost of the voyage and buying tools and furnishings and other equipment before they left the old country. And up to 1663, England forbade the export of coin or bullion to the colonies. Thereafter bullion, but not English coin, might legally be exported from England.<sup>45</sup> Massachusetts set up a mint in 1652 for coining a colonial shilling, but it was closed in the 1680's when Massachusetts lost its charter and became a royal colony.

From the West Indian trade, Spanish silver "pieces of eight" found their way into the colonies. And if an armed colonial merchantman waylaid a Spanish treasure ship, the silver was gratefully absorbed in colonial business, for the borderline between piracy and international trade was not yet clearly defined. It even appears that pirate ships were fitted out by leading merchants right under the eyes of colonial officials who knew very well the purpose of their voyage.<sup>46</sup> In fact, Spanish silver and French louis d'or provided the chief metal currency in circulation.

The British tried unsuccessfully by Royal Proclamation (1704) and by Act of Parliament (1708) to standardize the relation between Spanish coins and English coins. But the rate at which Spanish dollars ("pieces of eight") were valued in English money continued to vary from one colony to another. And Spanish coins were never available in sufficient quantity to prevent a chronic shortage of currency.

Until the Revolution, English money served as the basis of reckoning but colonial trade brought in very little of it. Taking the colonies as a whole, the woolens and ironware and gunpowder and books and paper and a hundred other commodities imported from England more than balanced the colonial products bought by the English. Much of this adverse trade balance was covered by English capital invested in the colonies.

Virginia tobacco found a ready market in England, and here the trade with the old country was relatively simple and direct. But in the northern colonies, in spite of their naval stores and their furs and their shipbuilding for English merchants, trade with the old country was most markedly out of balance. Many northern products (and especially their fish and wheat and flour) competed with production in the old country. This difficulty was met by selling northern fish and flour and lumber and salted meats in the West Indies and the islands and seaports of Spain and Portugal. Slaves sold in the West Indies by New England traders also became, in the 18th century, an important item of export, indirectly offsetting goods imported from England. Colonial traders received, in the West Indies, some silver and bills of exchange drawn against London merchants and also cargoes of sugar, and (in the Spanish and Portuguese ports) silver and fruits and wines which were then in great demand in England.

English merchants in the colonial trade carried on a system of accounts and credits which greatly reduced the volume of silver and gold required for settling trade balances. Also part of the English capital invested in colonial production came from the old country in the form of equipment sent over to the colonies. All such accounts and credits and investments tended to hold

down the amount of currency received by the colonists, while they strengthened the old country's economic power over the colonies and drained off considerable sums as interest from colonial borrowers. At the same time, of course, these merchants in London and Bristol, honoring the colonists' bills of exchange, were laying the foundations of modern international banking.

Within the colonies, businessmen carried on their local trade largely as direct barter, with values and prices reckoned in English money. For less direct exchange, several common products were used at some time in the earlier years as a substitute for coin. These money commodities included not only tobacco in the South, and beaverskins, but in one or another colony corn and other grains, tar, fish, flax, wool, sugar, pork, beef, brandy, whiskey, and musket balls.<sup>47</sup> In New England, Indian wampum served at first, maintaining its "value" so long as the beads could be readily exchanged for furs. It ceased to be of use, except as the small change of daily trade, when the Indians began to make counterfeit beads of stone, and the forefathers took to substituting white shells painted black for the rare black shells which the Indians prized most highly!

Experience taught the settlers the problems involved in using common products as money. For these varied sharply in price. They were exceedingly bulky. Their quality could not be standardized. Even when products were originally of a standard quality, many of them were subject to more or less rapid deterioration. In Virginia, however, for more than a hundred years tobacco remained the chief currency. And both Virginia and Maryland developed a system of paper notes backed by tobacco graded and stored in a public warehouse.<sup>48</sup>

Meantime, Massachusetts had taken the lead, in 1690, in issuing paper money to cover the cost of an unsuccessful expedition against the French in Quebec. This was the first attempt in the Atlantic world to issue as currency paper notes secured by future returns from the collection of taxes. Personal promissory notes had long circulated from hand to hand, with confidence that the individual who had signed the note would redeem it when it fell due. Colonial treasurers had borrowed from indi-

viduals against promise of payment when tax money would be collected. But the Massachusetts paper money of 1690 was the first paper issued for general circulation in a form similar to the later bills of the U.S. Treasury.

At one time or another, most of the other colonies followed the lead of Massachusetts, and so long as the issues did not exceed the actual resources of the colonial government and the volume of currency needed for colonial trade, they were accepted at face value even when they could not be redeemed in silver.

Less successful was another type of currency issued in response to pressure from the farmers who were always short of money. A farmer would be given colonial notes as a loan from the government against a mortgage on his land. In this "land bank" currency, South Carolina, in 1712, led the way. Only in Pennsylvania was the land bank strictly managed (with limited issues, good security, and strict redemption of outstanding notes) so that it remained solvent and the notes circulated without serious depreciation.

Dependence upon paper notes held in circulation, without adequate control of their relation to the exchange of genuine values, served as a form of inflation, pushing prices up and sharpening the conflict of interest between debtors and creditors. Farmers and other small producers *temporarily* gained thereby, while the merchant creditors felt themselves defrauded when farmers' debts were repaid in money with a purchasing power lower than that which had been advanced to the farmers. Actually, however, the rural population never found release from its burden of debt. And colonial merchants and shipowners managed to pile up fortunes which contrasted sharply with the poverty of the working farmers.

## IMPERIAL RESTRICTIONS ON COLONIAL BUSINESS

In the 17th century, the English at home had regarded the colonies primarily as a source within the empire for naval stores and other products of which the old country needed more than she could supply for her navy, her rising industries, and her in-

creasing population. But as time went on, some of England's industries began to feel the inner contradictions which have been the chronic ailment of capitalist development. Production expanded without direct relation to the people's capacity to buy the product. Businessmen's interest in the colonies was turned more and more to considering them as a protected market for British goods.

Restrictions upon the colonies' trade and shipping had been the outstanding feature of Britain's imperial policy in the 17th century. Restrictions upon industrial development within the colonies became increasingly important with the turn from the 17th to the 18th century. At the same time, Britain was trying to aid colonial merchants (and English businessmen) by regulating colonial currency.

In 1696, Parliament created a new Board of Trade and Plantations which was to formulate policies and supervise the enforcement of laws and regulations affecting colonial business. From the beginning, this Board of Trade (as it was commonly called) opposed any measures which might encourage manufacturing in the colonies.

They attacked first the growth of the woolen industry which had begun to develop on a commercial basis in New England and on Long Island. The Whig Parliament (representing English business interests) prohibited in 1699 the export of American wool or woolen cloth from any colony, and even the sale of colonial woolen goods in any town other than the place of manufacture. The following year, Parliament removed the English tax on woolens exported from the old country. These measures—and especially the second—served seriously to check the growth of colonial woolen manufacture.<sup>40</sup>

When Pennsylvania tried to encourage shoemaking within that colony, first by duties on exported hides and then, in 1704, by flat prohibition of leather exports, the Board of Trade recommended that such measures be disallowed: "It cannot be expected that encouragement should be given by law to the making any manufactures made in England."<sup>40</sup>

Very similar to the Woolen Act was the Hat Act a generation

later (1732) when Boston, Newport and New York had become centers of hat manufacturing. This not only forbade export of hats from the colony in which they were manufactured but also made it illegal for any hat maker to employ more than two apprentices.

That colonial materials should be transported to England for manufactures in the old country, and that all attempts to encourage colonial manufacture must be opposed, was the considered and unchanging policy of the English government in the 18th century.

How industry in the old country expected the colonies to serve its interest is most clearly illustrated by the British attempts to regulate colonial iron production. Several ironworks had been started here in the 17th century with the aid of English capital. But in the 18th century, the English iron industry split into two opposing groups on the question of colonial iron. Those manufacturing iron products welcomed the high-grade iron in pigs and bars brought in from the colonies, while they insisted that colonial works making finished iron products must be closed down so that their English ironware could monopolize the colonial market. At the same time, ironmasters smelting English ores wanted all colonial iron completely excluded.

In the Iron Act of 1750, the English manufacturers carried the day. Colonial pigs and bars were freed from English import duties, but for three types of iron processing no new colonial plants were to be erected: slitting mills (to cut iron for nails); plating forges (to make sheet iron); and steel furnaces (to produce blister steel for tools). Casting furnaces (for kettles, salt pans, and cannon) were not prohibited. Actually, however, colonial processing continued, and tool making was developed from the blacksmith stage to the beginnings of industrial output.<sup>61</sup>

While seeking to stop the growth of colonial industry, English business interests were vitally concerned in promoting colonial trade and stabilizing the position of the colonial merchants with whom they were in close and constant relation. They wanted to pay low prices for colonial products, but they expected

Parliament to standardize colonial business conditions. Through an act of 1732 they tried to ease the procedure for British creditors collecting colonial debts. (This definitely aided the prosperous colonials and hastened the failure of those less efficient or less fortunate.)<sup>62</sup>

Their next move (in 1748) was to persuade the British government to send considerable sums to New England for redeeming depreciated paper currency. This had been issued to finance the colonial share in the expedition of 1745 against the French stronghold of Louisbourg on the island of Cape Breton. New England fisheries had been eager to drive the French from this fortress which was inconveniently near their fishing banks. (Possibly the British found it desirable to make amends to the New Englanders after the war, when the British had returned Louisbourg to the French as the price of regaining Madras for the British East India Company!)

Then in 1751 the British took action greatly desired by prosperous colonial merchants and sharply opposed by the rural debtors. The Currency Act of that year prohibited New England colonies from erecting any new land banks and required that outstanding bills be retired promptly at the time appointed when they were issued. This act aroused deep hostility to the old country among the rural debtors of New England.

While the merchants welcomed such action, they were never too loyal to the old country when imperial laws and regulations interfered with their own immediate interest. They and their sea captains cheerfully evaded trade duties whenever they could, and smuggling was entirely respectable for those who, like the Hancock family and other leaders in New England commerce, could profit thereby.

Wholesale smuggling and disregard of British imperial restrictions were most conspicuous and most troublesome to the London government in relation to West Indian sugar. The trade and navigation laws had never hindered the Yankee merchants, seeking sugar for their rum distilleries, from giving preference to the French West Indian plantations where they could get a better quality of sugar and a larger return for their fish and



lumber and provisions. To check this notorious evasion of British law, Parliament in 1733 set a prohibitive duty on foreign sugar or molasses entering any English colony. But the trade with French islands continued undisturbed. Underpaid clerks in the British customs service found it worth while to provide false invoices at Jamaica (in the British West Indies) and to accept them in the New England ports.

This attempt at enforcing empire restrictions involved also a sharp inner contradiction in their mercantile system. For successful interference with the French West Indian trade would have cut down the chief source of funds for importing British products. Strict enforcement of the so-called Molasses Act might well have diverted merchant capital in the colonies to an earlier development of colonial industry.

Imperial regulations were, on the whole, less important in guiding and limiting industrial development than the problems of transportation and currency and the shortage of free wage labor.

## DEPRESSIONS HIT THE COLONIES

Colonial business life developed in the midst of problems over which the producers and merchants had no control. Occasionally, also, merchants and landlords were confronted with vigorous resistance and even armed revolt by the working groups who felt themselves unfairly exploited.

The cyclical crisis of a highly developed capitalist economy was still far in the future, but colonial capitalism followed no smooth and steady course. Crop losses and epidemics, blockaded markets and price collapse, wars and inner conflicts, all affected business growth within the colonies.

Indians, bitterly resenting occupation of their lands and the settlers' sharp practices in dealing with the native people, again and again attacked frontier settlements, destroying crops and burning houses, even if the settlers themselves escaped. Most serious in early New England were the Pequot wars of the 1630's and King Philip's war of the 1670's. The Algonquins in New York fought four years (1641-45) against the Dutch who had

not only appropriated Indian lands but attempted to tax the Indians for damages they had supposedly inflicted. The Indians were finally crushed after heavy loss of life on both sides. Much later, in the first war between England and France for mastery in North America, the Algonquin Indians as allies of the French again carried out bloody raids in New England and New York.

In Virginia, a frontier massacre in 1675 was the climax of quarrels and skirmishes as the Indians had tried to resist the incoming tide of settlers.

Indians were not directly involved in the first business depression in the colonies. This appeared in New England in the 1640's, when the incoming tide of thrifty settlers was checked by the fall of the Stuart regime in England. With Puritan merchants in control of the British government, many Puritans in New England saw business opportunities opening for them in the old country. And for a while more families were going back to England than were arriving to take up new homes in the colonies. This brought a sharp fall in prices of land and produce and cattle.<sup>33</sup>

Whenever England was at war with another European power, ships carrying cargoes to the old country were subject to attack. And England was involved in foreign wars more than one-third of the time between 1652 and 1763. At least three different fleets of English ships loaded with Virginia tobacco were destroyed in the Dutch wars of the 17th century. In 1665, when London was devastated by the Great Plague, no ships had sailed to fetch the crop. Again during the War of the Spanish Succession (1702-13), European markets were sharply reduced just after the planters had been expanding production with slave labor. Also the hazards of war not only increased the prices of English goods which the planters desired. They raised the cost of the merchant's insurance and doubled the freight charges passed on to the planter.

Other trade conflicts falling short of war affected the colonies. So, for example, when the English Trade and Navigation Act of 1660 made it illegal for Virginia planters to sell tobacco to Dutch shippers, this cut off their market for the lower grades.

In the midst of one tobacco crisis, Virginia farmers also lost half their cattle in an epidemic which killed some 50,000 head. About twenty years later (1695) a similar epidemic killed 100,000 cattle in Maryland.<sup>54</sup>

For Massachusetts, 1685 was a bad business year. Three great fires destroyed Boston property valued at £150,000. This disaster came in the midst of a serious slump in fisheries and the fur trade, due to friction with the French to the northeast and with Indians whom the French were already inciting against the English.<sup>55</sup>

At the end of the 17th century, the strain of war with France pushed England into a financial crisis. Credit had been over-expanded. The new Bank of England suspended cash payments, and rumors of further disaster paralyzed trade. English wheat fell in price so that temporarily it could underbid colonial grain and flour and bread in the West Indies. Crop failures in 1699 cut sharply the output of West Indian sugar and the tobacco shipments from Virginia and Maryland. All West Indian trade with the continental colonies was sharply reduced, and American merchants and farmers faced a business crisis of their own.<sup>56</sup>

Business depressions of the 18th century were not essentially different from those of the 17th. Planters still had prosperity or depression according to the returns they could obtain for their staple crops. And with every slump, many planters found themselves more tightly bound by debt to the merchants of London and Bristol and Plymouth and New England. English vessels came every autumn to wharves along the Virginia rivers to receive barrels of tobacco and leave in exchange the goods they had brought from England. It was a profitable trade as the well-to-do planters bought furniture, carpets and the best cloth and linen. Tobacco paid for all these imports and each planter had a current account with a merchant in the old country. If one year's tobacco crop was not enough to pay for the goods bought, then the next year's was supposed to make it up. But many planters were constantly in debt to the British factors, as they mortgaged their plantations and crops in return for loans or advances from the English creditors.

Colonial merchants also suffered unpredictable losses from shipwreck or the capture of valuable cargoes, since they functioned without adequate and dependable marine insurance. Business prosperity was highly uncertain, but throughout the colonial period failures and hard times involved widespread suffering and want only when basic food crops were destroyed. Households and communities were still largely self-sustaining so far as the necessities of existence were concerned. Wage-workers were relatively few, although their number was increasing. And slaves and indentured servants could not be thrown off to starve.

### CLASS CONFLICTS INCREASE

The complex pattern of clashing interests varied from one colony to another, but everywhere it created inner friction and in many spots this flared into open struggle.

Colonial issues had much in common with issues confronting us in the 20th century. They involved the exploitation of workers (chiefly slaves and indentured servants instead of free wage-workers), problems of prices and markets and the value of money, differences in cost of production, and resistance to various forms of monopoly. Business conflicts were sharpened when prices dropped because European markets were cut off by war, or because production had expanded beyond the market's capacity to consume.

Slaves had no rights. Individual protests were stifled by immediate punishment, and group action among slaves was considered a crime worthy of immediate death without trial. In spite of such terror against them, the slaves in this country, in the course of two centuries preceding their emancipation in 1863, attempted some two hundred and fifty revolts and conspiracies, each involving at least ten persons who had organized to obtain their freedom. Such attempted revolts within the colonial period occurred in settlements ranging from Georgia to Massachusetts Bay.<sup>57</sup>

How completely power was in the hands of the slaveowners appears from the fact that, after a Virginia slave rebellion in

1672, the masters received at public expense a gift of 4,500 pounds of tobacco for each slave whom they had killed.<sup>58</sup>

Groups involved in other conflicts included small producers against merchants, debtors against creditors, settlers against "proprietors," frontier farmers against land speculators, tenant farmers against large planters, small traders against privileged merchants, and colonial merchants against those in the old country. Most of these issues appeared in some form within every one of the colonies. But the problems and inner conflicts varied in detail from one colony to another for, in spite of much inter-colonial trade, each settlement was developing separately from all the others.

The first inner colonial conflicts occurred in Massachusetts and Virginia in 1634. They reflected, thus early, resistance by the colonists to the English government, and also differences within each colony itself.

In Massachusetts, Charles I sought tighter control over colonial affairs by withdrawing the charter of the Bay colony, but this stirred up such determined resistance that the king let matters slide. At the same time, groups within the colony objected to the domination exercised by the wealthier Puritans. In 1636, Roger Williams, the most fearless opponent of the Puritans' rigid, dogmatic ways, was banished from the colony. With a small group of like-minded rebels, he settled at Newport, the nucleus of Rhode Island. Shortly afterward in the same year, Thomas Hooker led a group which withdrew from Massachusetts and moved westward to Hartford on the Connecticut River.

Self-government was the issue in Virginia. There a controversy in 1634 between the royal governor, John Harvey, and representatives of the settlers culminated in the removal of the governor who was forcibly put aboard a ship and returned to England. Some thirteen years later, the developing English conflict between the Stuart monarchy and parliamentary democracy was reflected in another sharp political struggle within Virginia. Many Cromwell veterans came over to the colony, and once more, in 1652, the royalist governor was forced to resign. While Cromwell and Parliament were ruling England,

Virginia was almost an independent republic. But this was a period of hard times in the colony, for Parliament in 1651 had excluded foreign merchants from the business of carrying goods between England and the colonies.<sup>69</sup>

A struggle in Maryland in 1654 led there to a clash of arms, one of the earliest within an American colony. Here the fight for a more democratic colonial government went along with active resistance to the payment of quitrents demanded by the Catholic proprietor. Five times between 1654 and 1689, the struggle came to the point of armed conflict, and five times the revolt was stifled without having achieved the goal of abolishing quitrents.

In the course of the struggle, the rate of payment was reduced by the authorities' agreement to accept tobacco at a valuation set arbitrarily above its market price. And when the wealthier planters finally joined with the small farmers, they succeeded in setting up in 1689 a colonial government in place of personal rule by the proprietor or his representative. But the family of Lord Baltimore—who had continued to collect their quitrents—were restored to power in 1715 by the English Crown, and they remained in control of the colony until the Revolution.

## REBELLION IN VIRGINIA

Fresh trouble had been brewing in Virginia over the low prices for tobacco which were, of course, especially disastrous to the small producers. Planters using indentured servants and slaves, and carrying on other business as traders in furs and supplies, still managed to add to their wealth. But small producers were more and more burdened with debt. Then in 1672 a slave rebellion swept the colony. At the same time Indians, resenting the white man's advances toward the interior, were threatening the safety of frontier settlers. And in 1675, a tribe which had been driven by other Indians into the white man's regions quarreled with the settlers and attacked them in a general massacre.

Nathaniel Bacon, an English-born frontier planter who es-

caped, after seeing his overseer killed by the Indians, appealed to Governor Berkeley for protection. But the governor, after assembling a small military force, quickly disbanded it again, for he feared to leave arms in the hands of small farmers. Also the governor was not eager to fight the Indians since he had large personal interests in the fur trade (in spite of the fact that such private trading was supposedly forbidden to officials). Bacon, meantime, was leading an expedition of frontier farmers against the Indians. Then, having disposed of the immediate Indian danger, they turned and marched against Jamestown, the capital of the province, for they had other grievances against the provincial government. And Bacon had brought from home a tradition of struggle against tyranny, as the grandfather for whom he was named had been on the side of Parliament in the Civil War against Charles I.<sup>60</sup> Taxes in Virginia were imposed by men representing the wealthy planters and were assessed equally on every free citizen of the colony, without regard to his wealth or his poverty. And not only slaves and indentured servants but all men who were not freeholders were excluded from voting for members of the House of Burgesses.

As Bacon's little army approached Jamestown, they had been joined by many runaway servants and slaves, which quite terrified the planters. Bacon captured Jamestown, and under his guidance the House of Burgesses passed laws extending democratic rights for the free settlers. But before any new government had been set up, Bacon died of a fever. Thirty-seven leaders associated with the Rebellion were executed, and several others were deprived of their properties. Governor Berkeley was recalled to England, and King Charles II is supposed to have said: "That old fool has hanged more men in that naked country than I have for the murder of my father."<sup>61</sup>

Virginia was for seven years thereafter almost an independent republic.<sup>62</sup> But the Assembly was heavily weighted with planters and still gave no fair representation to the small farmers and backwoodsmen.

Revolt flared up again in 1682, when the small farmers destroyed acres of plantation tobacco in the hope of raising prices.

But this "Tobacco Rebellion" was crushed by the new governor, Lord Culpeper, and two of its leaders were hanged.

## STRUGGLES AGAINST PROPRIETORS

Small farmers revolted also across the line in the northern part of Carolina. Here settlers from Virginia had taken up land with titles obtained from the Virginia Governor Berkeley before 1663, when the group of Carolina proprietors received a huge grant from the Crown. The settlers resented the quitrents which these new proprietors tried to collect. Also, as tobacco farmers whose crop went to New England (and faced a sharp decline in prices) they were hard hit in 1673 when a duty was imposed on all tobacco shipped from the South to New England. The merchants tried to shift this duty to the Carolina farmers, but they vigorously resisted. One of the founders of the colony was arrested (1677), but under the lead of John Culpeper the people came to his aid and threw the collector of the customs into jail instead.

In southern Carolina, a three-cornered struggle was carried on for half a century after the colony was established in 1670. The proprietors hoped to build a feudal society based on landed property and agriculture, with titled owners of large estates, small freeholders, and serfs—from all of whom the proprietors would, directly and indirectly, draw tribute. These principles were expressed in their "Fundamental Constitutions" drafted with the aid of the English philosopher, John Locke. But the principles met with widespread opposition and were never fully applied.

Merchants objected to control by the proprietors. And settlers, with their farms seldom larger than 300 acres, protested the payment of quitrents. The case against the proprietors was strengthened by their failure to prepare defense against Spanish attacks from the South and to aid the frontier settlers.

In England, the Board of Trade urged that proprietary rule should give place to officials controlled by the Crown and ready to defend Carolina vigorously against attack. No decisive action



had been taken when a Spanish invasion was rumored in 1719 and the proprietary governor called out the militia. Then the armed colonists marched on Charleston and took over the Assembly in the name of the king. Later (1728-29) under pressure from large planters and English merchants, the Crown bought out the proprietors' land rights in the Carolina colonies.

Such conflicts were sharpened by the class differences within the colony in relation to paper money. Land bank notes (1712) and three issues of bills of credit (1702, 1706, and 1717) with which the colony tried to meet the cost of fighting the Spaniards and the Indians brought acute controversy between the merchants and the smaller planters. When the exchange rate in relation to English money had risen to seven times the nominal level and creditors were compelled to accept payment in colonial paper at its face value, 28 merchants signed a petition of protest, only to be imprisoned by the colonial Assembly. The Assembly also formally rejected British orders to retire the colonial paper. Protests and orders continued without result until the commercial interests yielded, apparently recognizing that with the marked increase in trade and the scarcity of specie, the paper currency served as a convenient medium of exchange.<sup>63</sup>

North Carolina took no part in the South Carolina revolt of 1719 and remained nominally under control of the proprietors for another ten years until the proprietors' land rights were purchased by the Crown. Then a fresh conflict developed over quitrents demanded by the new landowners to whom the English king was lavishly distributing the lands taken from the proprietors. Most stubborn resistance was offered by the small farmers of the frontier, but collections were not pressed against them. They held too strategic a position in the colony, bearing the brunt of French and Indian attacks and thus protecting the seaboard settlements.

New York conflicts during the latter years of the 17th century expressed the resentment of farmers and small traders against monopoly privileges granted to favored flour millers, merchants, and shipowners at the port of New York. The British had expelled the Dutch rulers, and the Duke of York had taken over

the colony about twenty years before these differences led to armed rebellion.

Rulings by the Duke's administrators required that all wheat exported from the colony must be brought to the town of New York for milling and shipment. All ships carrying cargoes to and from the settlements on Long Island must come in to New York for checking of cargo and payment of duties levied by the colonial government. And, further, the governor and his colonial council ordered in 1686 that all the fur trade of the province must pass through Albany.

The first popular Assembly had been summoned only after long agitation by farmers, fishermen, shopkeepers, artisans, and wage-workers. It met in 1683 and again in the following two years, but its actions toward breaking down monopoly, reforming land tenure, and setting up a government responsible to the people were never confirmed by the royal proprietor. (The Duke of York had meantime become King James II of England.) King James ordered the governor to disband the Assembly and to hold the legislative power, as before, in his appointed council.

In 1688, England annexed New York to the autocratically governed Dominion of New England. But the following year this Dominion government was overthrown by the people of Massachusetts.

## RESISTANCE TO TYRANNY

Revolt in New England aroused New York people of all classes except the great landowners and the favored merchants and millers. Then the news came that the English Catholic King, James II, had fled before the army led by the Dutch Protestant, William of Orange; and further, that the royal governor of New England had been jailed by the people of Boston. The farmers of Long Island and Westchester picked up their rifles and started for New York City. Meantime, under the leadership of Jacob Leisler, a merchant who chose to throw in his lot with the people, the artisans and small traders had

seized the fort at New York. These rebels set up a council of safety, appointed by elected delegates from nine towns. This functioned from June, 1689, to March, 1691. An Assembly called by Leisler in 1690 acted against the monopolies. In that year also, the Albany magnates yielded temporarily to the Leisler government, but only because they feared an Indian attack and wanted armed protection.

When troops from England and a new governor arrived, Leisler and nine of his associates were tried on charges of treason. Leisler and his son-in-law were hanged. The forces of wealth and class privilege had their way. One point had, however, been gained by the people: The Assembly of 1695 withdrew the monopoly of flour-milling. And five years later the Assembly decisively defeated a proposal for taxing flour brought into the city from any outlying mill.

Leisler and his son-in-law were not the only ones slaughtered by the forces of reaction in New York. In April, 1712, after a considerable number of Negroes had been forcibly imported to labor as slaves, one of the Negroes led a group of Spanish Indians (also held as slaves) in setting fire to a house. Panic spread among the white population with rumors of an impending Negro uprising. By way of punishment and warning, the city fathers rounded up and executed twenty-one Negroes.<sup>44</sup>

A generation later (in 1741) New York again developed a murderous panic after a series of fires and robberies. This time four white persons and twenty-nine Negroes were executed (including some Negroes burned at the stake), and eighty Negroes were deported.

Meantime, in Massachusetts, conflict had been increasing between the colonials and dictatorial rule in the interest of British businessmen. Two years after losing its charter in 1684, the Massachusetts Bay colony had been placed, with other New England settlements, under a single royal governor who was given absolute power over the Dominion of New England. New England merchants and shipowners had been successfully evading the Trade and Navigation Acts and thus undermining the monopoly power of merchants and shipowners in England.

Also the British Government had watched with alarm the increasing power of the French in North America and looked to the Dominion of New England as a measure for strengthening the British and checking the French.

Plymouth, Massachusetts Bay Colony, Connecticut, and Rhode Island had all been founded as self-governing communities, controlled of course by the merchants and landowners. When the Dominion of New England was created in 1686, these free colonists were for the first time confronted with taxes about which they had no voice and with distribution of unoccupied land on the basis of quitrents payable to the king's government. Even their existing land titles were threatened.

Resistance flared up first in the Massachusetts colony, and John Wise, a minister of Ipswich, was imprisoned and fined for leading opposition to taxes and levies imposed without the consent of the people. Shortly afterward, in April, 1689, when news came that James II (the last of the Stuart kings of England) had been dethroned, the people of Boston rose up and jailed the royal officials and restored a government of the leading Puritans. Connecticut, Rhode Island, and New Hampshire resumed their separate existence.

Two years later (in 1691) with the consent of the new English rulers, William and Mary, a colonial legislature was established in Massachusetts. But the governor was still to be appointed by the Crown and held the right to veto acts of the legislature. Further, these acts would be subject to review by the King's Privy Council in England. The merchants of New England remained, until the American Revolution, subject to regulation by their English rivals and competitors.

Conflicts developed, meanwhile, between Boston merchants and groups of artisans and debtor farmers. After the equipping of two expeditions against Quebec (1709 and 1711), grain was in short supply, with rising prices to the Boston workers. But the merchants made the food situation more difficult by continuing their exports of grain. In April, 1710, "persons unknown" cut away the rudder of a ship loaded with wheat, and the following day a crowd of some fifty men came to the dock to

prevent the ship from sailing. They were restrained by others and, as the food supply was soon increased, they took no further action at that time.

But in 1713 a much larger number of persons gathered to block the sailing of a ship with a food cargo for a Caribbean port. This demonstration, called by the authorities a "riot," in which the lieutenant-governor and another man were wounded, brought an embargo of wheat exports and action by the Selectmen toward providing grain at low prices for "the poor."<sup>65</sup>

Some twenty-five years later, the colonial merchants (although resenting British control of their business affairs) did not hesitate to invite British interference when they felt their interests seriously threatened by what they called the "rabble" of debtor farmers. The Massachusetts Land Bank, authorized by the Assembly of 1739, was a farmers' project carried through without the approval of the merchants, who forthwith agreed never to accept the bills it might issue. So in 1741 the farmers organized a march upon Boston and brought such pressure that pro-Land Bank councillors were nominated by the General Assembly. The merchants' friend, Governor Belcher, refused to recognize the farmers' action, jailed their leaders, and removed all officials sympathetic to their cause.

Merchants, however, had appealed to London and were answered by an Act of Parliament. This extended to the colonies the so-called "Bubble Act" of 1720, which made the Land Bank illegal, as a corporation never explicitly authorized by Parliament. All this greatly embittered the relations between Massachusetts farmers and their merchant creditors. And it ruined financially men, like Samuel Adams the elder, whose property was mortgaged as an asset of the bank.

Philadelphia also, in 1741, developed a conflict between merchants and bakers over the merchants' importing of English halfpence to be used at penny value within the city. All baking stopped in the city. After two nights of popular demonstrations (with many merchants' windows broken), the city government set a compromise value on the English coins, ruling that they

should be accepted at fifteen to the shilling, instead of twelve as the merchants had proposed.<sup>66</sup>

## TENANT FARMERS AGAINST LANDLORDS

Along the Hudson Valley, troubles of the tenant farmers in the 18th century broke more than once into open revolt. Here such lavish land grants had been made by the Dutch, and later by the English, that it was impossible for farm settlers to obtain title to land, clear of rental payments and subjection to landlord rule. In this region, the structure of landed property came nearer than anywhere else in the colonies to the feudal pattern, as the great landed proprietors managed to control all the details of the rudimentary community life. But tenants had no security of tenure. If they objected to the terms of occupancy or to the outlets available for their surplus product, they found courts and traders completely dominated by the landed proprietors.

The first outbreak of revolt came under special circumstances. A group of German refugees (Palatines) had come from England in 1710, under agreement with the English Board of Trade which had financed their voyage to New York. They were to occupy lands assigned to them, which they could not leave without permission and on which they would produce naval stores needed in England. Ultimately, after their products had repaid the Crown for the expense of transporting and settling them, each family would be supposed to receive forty acres of land free, for seven years, from taxes, quitrents and other services.

They expected to occupy a tract of land at Schoharie, but instead the governor placed them on land much nearer to New York City, part of which was Crown land, and part of which was purchased for them from two of the great landlords. The governor appointed Robert Livingston, one of these landlords, to supervise their work and look after their welfare. This Livingston did by advancing loans at a high rate of interest and "victualling" them with food that was expensive, inferior in quality, and short-weighted. The Palatines, determined to make

their way to Schoharie, where they understood that free land had been promised them, finally went on strike, only to be confronted with armed troops and to learn that, since no naval stores had yet been shipped to England, the whole agreement was off.

Scattering in the midst of a bitter winter (1712-13), some found refuge in New Jersey and Pennsylvania, some went to New York City. Those few who made their own way to Schoharie found the Indians friendly about selling them land. But just when they thought they were settling down, there appeared one Nicholas Bayard who misrepresented himself as the Queen's agent and apparently intended to press his grandfather's prior claim on the land.<sup>67</sup>

Another group of Palatines who had settled two years earlier near the present site of Newburgh came into more violent conflict with land speculators when these tried to push the settlers off the land unless they paid the speculators a high purchase price.

In the 1750's, struggles of tenants against landlords in the Hudson Valley became fairly widespread and developed into a border warfare between New York and Massachusetts, involving also rival speculators, each claiming Indian titles and each charging the other with fraud. Livingston tenants, for example, refused in 1751 to pay their rents on the score that they had themselves received from Massachusetts authentic titles as owners of the land they occupied. At the same time, Massachusetts speculators were not only backing the tenants but setting up their own counterclaims against the New York landlords.

The picture became more and more confused as the conflict continued into the 1760's and came to a climax with the Prendergast rebellion of 1765 and the Westchester county "Levellers" of 1766. William Prendergast, leader of the anti-rent revolt in Dutchess county, had some seventeen hundred small farmers under arms at Poughkeepsie and three hundred more at Pawling. But the landlords' forces were too strong for them and soon captured Prendergast and seven of his associates. Prendergast

was sentenced to death, but his life was spared by a royal pardon.

Separately organized was the revolt of the Westchester county Levellers who refused to pay rent to Van Cortlandt until assured of greater security of tenure. But the Dutchess county rebels tried to help the Levellers and the two movements were closely akin. Neither group hesitated to resist property claims which they considered unjust and to rescue comrades imprisoned for failure to pay a rent which they did not approve.

Farmers in eastern New Jersey included Puritans who had migrated from New England, and in the latter part of the 17th century these settlers had led a determined resistance to two major grievances. They objected to paying quitrents claimed first by Carteret, the proprietor, and then by the wealthy Quakers who bought out the Carteret interest. The settlers also insisted on their right to ship products from Perth Amboy without paying tolls demanded by the New York merchants who controlled the harbor. No decision was reached until 1702 when New Jersey was placed under a royal governor. Then freedom from New York tolls was guaranteed, but the quitrent claims of the proprietors were upheld.

Some forty years later the quitrent issue was revived when a frontier settler was arrested for cutting timber on proprietary land. He was forcibly rescued from jail by his neighbors, but some of these "rioters" were also arrested. The settlers organized rapidly around the basic issue of quitrents. Their opposition dominated the Assembly, and the royal governor (who was a native New Englander) took no action. When the proprietors appealed to England, the matter was referred to a commission of inquiry. But nothing had been done when in 1754 the outbreak of war with France over control of the great Mississippi Valley took precedence over all other issues. This virtually ended the quitrent system in New Jersey.

### **"POOR BUT PRESUMPTUOUS PEOPLE"**

In Pennsylvania, incoming settlers of the 18th century took up land on a frontier quite removed from the trading towns



of the Quaker merchants and the wheat fields of the comfortable German farmers. All groups were against the proprietary land system and the quitrent claims of the Penn family, but on other immediate issues the frontier was sharply opposed to the older sections of the colony. These "poor but presumptuous people" (as Penn's agent called the frontier settlers) not only withheld their quitrent payments, but many of them were squatters, who had paid nothing, on land which had been bought by wealthy eastern speculators. And some were bringing furs to eastern markets and weakening the monopoly of the established traders.

Worst of all, in the eyes of the Quakers, was the frontier settlers' demand for defense against the Indians. On this point, the frontiersmen had the support of the British government which even threatened at one time to exclude Quakers from the Pennsylvania Assembly. Also tied up with the issue of defense was the demand for raising public funds by taxing the considerable lands held by the Penn family but not yet occupied.

One or another of these issues was uppermost in the Pennsylvania colony for some forty years. The tax question was approaching a compromise agreement in 1763, when Indians once more attacked the frontier settlements. Again no provincial funds for defense were forthcoming. But this time, frontier settlers took the aggressive and blindly attacked a group of friendly Indians who had had no part in the frontier war. These fighting frontiersmen—known as the Paxton boys—marched to Philadelphia. And in spite of a hot rebuke from Benjamin Franklin for having attacked friendly Indians, they did finally win from the Assembly an appropriation for frontier defense. Penn's governor still refused, however, to sanction any tax on unoccupied proprietary lands.<sup>68</sup>

## CONFLICTS IN SOUTHERN COLONIES

All the colonies south of Pennsylvania had developed, by the 18th century, sharp contrasts and a complex pattern of conflicting interests between the tidewater settlements, with their

merchants and planters and old-world standards of luxurious living, and the frontier settlements of hard-working farmers and their families.

Squatters clashed with land speculators.

Frontier debtors faced tidewater creditors, with the debtors demanding cheap money and inflation which the creditors vigorously opposed.

Up-country farmers, feeling the sharp competition of slave plantations, began to attack slavery as unfair and unjust and a rotten foundation on which their creditors' power was built.

Tidewater planters wanted to keep their large estates intact and therefore enforced laws of primogeniture and entail, knowing that their younger sons, cut off from inheriting land, would go into the law, or the ministry, or shipping and trade. But the small working farmers opposed such inheritance laws and wanted equal opportunity on the land for all their children and their children's children.

Up-country farmers also objected vigorously to the poll-tax principle by which every individual was equally taxed, regardless of differences in property holdings. The wealthy thus shifted a large share of the tax burden to the poorer families.

Frontiersmen objected to parish taxes for supporting the official Anglican Church in which they were not interested.

They found the tidewater planters—who held the balance of political power—opposed to providing public funds for building roads and bridges to link the frontier with tidewater markets, or for arming colonial militia for defense against Indian attacks.

Frontiersmen wanted fair representation in the provincial governments and some consideration of their convenience in relation to time and place of court sittings.

Shortly after the episode of the Paxton Boys in Pennsylvania, these issues which had smouldered for almost a hundred years after Bacon's Rebellion and the Culpeper episode, broke into the flame of armed revolt in North Carolina. The first outbreak occurred in 1765 when a large landowner tried to evict settlers who refused to pay the high price he demanded. Three

years later frontier farmers organized as the Regulators for common action against unjust demands. Some of their leaders were jailed, but the Regulators forcibly released them. Agitation continued, with arrests and trials and sales of debtors' property, and more "direct action" in freeing imprisoned Regulators. Then in 1771, Governor Tryon, with an armed force, attacked without warning a troop of Regulators in the battle of the Alamance River (May 16) and put them to flight. Seven of the leaders were captured and executed.

Regulators had organized also in South Carolina, but here an actual armed clash between Regulators and militia had been averted by some concessions (1769) to the grievances of the frontier farmers.<sup>69</sup>

So bitter was the frontier feeling against the colonial aristocracy and its officials, that when the War of the Revolution began, most of the Regulators held aloof from the struggle and some joined the British against the colonial forces.

## WARS AND EXPANSION

In the 18th century, the colonies had been drawn into the world struggle between Britain and France for commercial supremacy and for control of important trading areas in India and in the New World. French traders and fishermen operating from the eastern St. Lawrence region had come into conflict with the traders and fishermen of New England even before 1689 when Great Britain entered the European war against France.

The French desired control of the northern English colonies as a source of provisions for the sugar planters of the French West Indies. They were set to achieve and maintain a monopoly of the North American fur trade. And as pioneer explorers of the Mississippi Valley, they laid claim to vast areas west of the Appalachian Range.

Less than twenty years after Sieur de LaSalle had traveled down the Mississippi River, French trading posts with the beginnings of permanent settlement had been set up at Biloxi

(1699) and at Detroit (1701). At other French posts on the Mississippi, the Wabash, and the Ohio, farmers, and even planters with Negro slaves, were producing food for export through New Orleans. Before the middle of the century, these scattered French settlements were shipping not only provisions but some cotton, tallow, and leather. A lead mine in Missouri had been opened in 1720 and was operated by French miners and Negro slaves. And it was French settlers who imported the famous bluegrass and white clover of Kentucky.<sup>70</sup>

Three wars between France and England had involved some part of North America before the decisive conflict of 1754-63 drove French colonial power from this continent. (They regained the Louisiana Territory in 1800, but that is a later story.) In the first encounters (before 1700), the French set their Indian allies against the settlers in New England. Historic Indian massacres slaughtered men, women, and children, but the French did not gain an inch of English territory.

The second war brought a fresh struggle in New England and northern New York. It also involved the old Southwest where fur traders from South Carolina were in conflict with the French traders from Biloxi and the Spanish in Florida. In the Southwest, the outcome was indecisive. But in the North, by the Treaty of Utrecht (1713), the French yielded strategic areas near the mouth of the St. Lawrence, and also the great region surrounding Hudson Bay where British traders had been operating since 1670.<sup>71</sup>

France and her Spanish ally also agreed that British merchants should have a 30-year monopoly in supplying 4,800 slaves every year to the planters in the Spanish West Indies. Further, the British South Sea Company was granted the privilege of sending one ship a year with a cargo of general merchandise to Porto Bello on the Isthmus of Panama. (This the British company expanded by sending a ship and leaving it permanently anchored in the harbor, while smaller ships, under cover of night, kept replenishing its cargo.) In connection with the slave trade, also, the South Sea Company smuggled in other merchandise in various Spanish ports from Havana to Buenos Aires.

The third war (1745-48) was fought mainly in Europe, but it gave New England an excuse for capturing the fortress of Louisbourg which the French had erected on Cape Breton Island after their loss of Nova Scotia in the second war.

Most serious in every way was the so-called French and Indian War of 1754-63. This was a struggle to the death between Britain and France for control of the North American continent. French fur traders from the north and British-colonial traders from the east had been crossing each other's tracks in the Ohio Valley and this rivalry in the fur trade was the immediate cause of conflict. Also, the wealthy English colonials were beginning to take up for speculation lands west of the Appalachians.

Much of the best land of the coastal watershed had been occupied, and it was clear that prospectors and surveyors beyond the mountains would soon be followed by pioneers and then by a great tide of settlement. The Ohio Company, first of several land companies, was organized in 1749 by Virginia planters and London merchants for the purpose of colonizing and fur-trading. Two brothers of George Washington and a wealthy London merchant, John Hanbury, were among those financially interested in the organization which brought substantial profits to its promoters. English merchants were ready to advance the necessary capital for such undertakings if they could be reasonably sure of profits in return. And fur-trading with the Indians was always profitable, as we have seen, since the colonists could exchange such articles as a small hatchet or a pound of brass buttons for a buckskin worth many times the cost of the goods bartered. By 1770 the value of furs and skins exported from the English colonies in North America was estimated at around \$670,000.

King George II granted the Ohio Company about 500,000 acres along the Ohio River, lying mostly in the region that is now West Virginia. Agents of the company built fortified trading posts at a point later to become Cumberland, Maryland, and along the Monongahela River. This expansion resulted in an economic conflict with the French who entered a counter claim to this rich fur-trading territory. Other land companies were

later launched by rival groups of wealthy merchants and land-owners in Virginia, Pennsylvania, and New York seeking to obtain huge grants of western land with charter rights for promoting new inland colonies.

The French were fully alert to the basic conflict of interest. They had as allies the Algonquin tribe of Indians who resented the encroachment upon their lands. Fur traders the Indians could welcome, however hard their bargaining. But the prospect of large-scale settlement by these Englishmen who would drive Indians off their ancestral hunting-grounds aroused the deepest hostility.

In preparation for the conflict, the French, meantime, had fortified their post at Fort Duquesne, where the city of Pittsburgh stands today. But colonials and British "regulars" fought hard. Their unyielding determination to gain control of the Ohio Valley for expanding settlement and Indian trade won a victory decisive for the future of the English colonies and the British Empire.

When the French admitted defeat and the peace negotiations were under way which gave to Britain all of Canada and the eastern half of the central Mississippi Valley, the Algonquin Indians (in 1763) rose in a desperate and bloody war against the English colonies. Called a "conspiracy" by the white settlers who would not admit the justice of Indians' defending their homelands, this war, led by Pontiac, chief of the Ottawas, drove the English from all their frontier posts except Fort Pitt and Detroit. Only with the aid of British regulars was this Indian uprising defeated. The seriousness of the struggle led to a thorough reconsideration of western policy by the London government, with new points of friction between London and the colonial speculators in western land.

While this nine-year struggle with the French and their Indian allies brought conflict on the frontier and checked temporarily the stream of profits to the colonial fur traders, it served indirectly to speed up colonial development. British troops sent from the old country broadened the market for colonial provisions, and this tended to push up prices and increase pro-

duction. At the same time, some New England merchants—unconcerned over the problem of western expansion—carried on profitable trade with the French forces in Canada. And colonial shipowners seized the opportunity to enlarge their forbidden trade with the French West Indies.

## CLASS CONTRASTS SHARPEN

With the close of the French and Indian wars in 1763, the colonies faced new issues which set the succeeding years apart from the colonial period and served as the immediate prelude to the American Revolution. But colonial life had not yet outgrown the stage of merchant capitalism. In the North, small farmers, independent artisans, and family workers were still the chief producers of the food and clothing and tools and utensils needed in everyday life. Trade was well developed. Artisans were free to produce for an expanding market and develop new methods without any hindering survivals of feudal economy to hamper industrial progress.<sup>72</sup>

Merchant contractors had begun to supply yarn for household knitters who made goods for sale to the merchant. Some textile workers were assembled in weaving sheds, but such beginnings of capitalist production were only a fraction of the total textile output. Still in the future were the great technical changes which would draw the textile industry entirely out of the home.

In some industries, capitalist production had already taken root. Shipyards flourished. Copper and iron works, lumbering and sawmills, potteries and glassworks were also employing small groups of wage workers. And men without specialized trades were beginning to gather in the towns as a reserve of wage labor.

The South of slave plantations had little share in this industrial progress. Planters carried on large-scale commercial production, but in reviving the ancient form of exploitation they had entered a blind alley leading away from the main highway of capitalism. For the slave, assured of subsistence so long as he could be profitably utilized, was completely subject to the char-

acter and the mood of his master. And the master, having invested in the bodies of slaves, had less incentive than other businessmen to seek for technical improvements and labor-saving devcies. The slave South was doomed to lag behind the rest of the country in its industrial development and its standards of popular education.

Throughout the colonies, contrasts between wealth and poverty were sharper in the 1760's than they had been in the earlier days. Colonial merchants had many different sources of wealth. Great trading and shipping houses of Boston and Philadelphia and Charleston and Newport and New York could rival the merchants of old England. They had accumulated the capital which would be required for industrial development. And they were advancing credits and dealing in bills of exchange. This foreshadowed the banking which their sons would establish.

Not yet solved, however, were basic problems of the currency which is also essential for an economy based on wage labor. English money served in the colonies as the basis of reckoning. And the scanty supply of English coins was supplemented by Spanish silver, circulating within each colony at a stated rate in terms of pounds and shillings. For local trade, general stores and yearly fairs offered opportunity to barter products with a minimum of actual currency.

Population was increasing rapidly as young artisans and poor peasants, political refugees and "younger sons" seeking a career, came in a stream of immigration not only from England but from Scotland and Ireland and Germany, with some also from other northern European countries. Eager for land and ready to settle away from the coast, these new Americans poured into the old West on the coastal side of the Appalachians and helped the big land speculators to increase their fortunes.

Still quite separate and distinct one from another, the thirteen colonies had become more and more self-sustaining even while they also developed bonds of common interest. Colonies with hostile Indians on their western frontier had talked of plans for joint defense measures. As early as 1689, such a conference had brought to Albany representatives from Massachusetts Bay,



Plymouth, Connecticut, and New York but nothing definite had resulted.

Sixty-five years later, when hostilities were threatening from the French in Canada and their Indian allies, commissioners from seven northern colonies had met (again in Albany), at the suggestion of the British Board of Trade, for planning mutual defense. Plans drawn up at this Albany Congress of 1754 included a central colonial government with power to make war and peace with the Indians and to regulate the colonies' Indian trade. But although the Albany Congress had been suggested by the home government, its plans were not approved in London and were never adopted by the colonies.

More solid and, in the end, more important than such conferences and plans, was the network of intercolonial trade which bound together the Atlantic ports from Massachusetts to South Carolina. The coastal cities not only served as ports for exchange of the great diversity of colonial products. They provided the outlets for sending American products to British and European ports. And more and more of this ocean trade was carried in New England ships.

While colonial business had been developing its own financial strength, other traditional ties to Great Britain had been greatly weakened by the influx of settlers from continental Europe. Not only the early Dutch in the Hudson Valley, but later French Huguenots, Germans, and Swedes had come to escape poverty and war in their old countries. Also, more and more native Americans, of whatever stock, born and raised in the colonies, had no genuine attachment to their fathers' lands across the ocean. They saw England represented by royal governors who surrounded themselves with suitable pomp and such luxury as could be achieved. At the same time, the wealthy colonials who were accepted by the governors as more or less their social equals had very real business grievances in the imperial restrictions on foreign trade.

Even the last French and Indian war (1756-63), with its seven years of frontier attacks and the fierce basic struggle between England and France for control of the West, had been chiefly

a concern of the imperial authorities who drew upon the colonies for aid.

Only after 1763, when the British tried to extract from the colonies more revenue, to meet their increasing imperial expenditures and their heavy national debt, were the American people really aroused from their political indifference toward the British Empire to consider their own common interests and the possibility of national independence. It was the injustice of taxation without representation that finally drew the colonies together in organized resistance.

From the beginning, the colonies expressed the search for a better life than the settlers had found in the old country. Some men wanted religious freedom. Some sought political democracy. Many were frankly in quest of riches.

At the same time, many thousands of young men and women were shipped here, against their will, as indentured servants whom the solid and most righteous citizens did not hesitate to employ if their means permitted. And as time went on, even the "good" New Englanders, who carried on the pious practices of their forefathers, began sending out their clippers to build fortunes from the slave trade.

In spite of such exploitation, however, the colonies, with their vast areas of unoccupied land, did represent something new and fresh. Among the free white men and women—including indentured servants who had completed their term of bondage—the rigid class structure of the old countries had been left behind. And new political forms were created to meet the needs of this new situation, where among white men of all ranks the sturdy and clever could satisfy ambition without an urge to destroy their rivals.

Of real democracy, in which everyone, rich and poor, has a voice in public affairs, most of the colonies had none, even among the white population. But when the settlers felt themselves aggrieved, the free citizens did not hesitate to organize resistance to the royal governor or the proprietary ruler. In at least seven colonies, before 1763, such resistance had come to the point of mass action which ranged from resolutions and protests to the

actual taking up of arms against a colonial government. Negro slaves rose up against enslavement and brutal treatment with some 250 revolts before they were freed in the Civil War.

Meanwhile the expanding settlements faced sharper hostility from the Indians whose fields and forests they were appropriating. But even while the colonists might welcome the aid of British troops in their Indian wars, they were growing restive under the rule of the old-country governors and the dictates of a distant parliament in which the colonies had no share.

At the close of the French and Indian wars in 1763, war prosperity, boosted by Britain's expenditures for her armed forces, gave place to a trade depression, with less business for the merchants, lower prices for farm products, and serious unemployment among artisans. But Great Britain chose this very time to inaugurate a more vigorous and more exacting policy in relation to the colonies. Her actions aroused widespread opposition and prepared the colonial people of all classes for common struggle against the mother country.

### RESENTMENT AGAINST BRITISH MEASURES

Both farming settlers and colonial land speculators were hit by the Royal Proclamation (October, 1763) closing to settlement the western country which the French had just ceded to Great Britain under the Peace of Paris. This Proclamation pleased only the Indians and the fur-traders. It was unpopular with pioneers who had hoped to move beyond the mountains and take up land without paying the rising land prices in coastal areas. It shattered the dreams of artisans and poor farmers who, even then, were looking westward for escape from poverty. Speculators resented the Proclamation for they had set up land companies in the hope of exploiting settlers beyond the mountains. In fact, differences between Pennsylvania merchants and Virginia land-owners, who had been rivals in their quest of wealth from western land and inland settlement, were submerged in their opposition to the new restriction.

Supposedly to protect British territory from possible attack, England stationed in the colonies a force of some 10,000 men. These troops were quartered within the towns, swarming over every vacant building. Maintaining this army and covering the expenses of colonial administration cost the British Treasury over £420,000 a year.<sup>73</sup> Determined to raise revenue from the colonies to cover this outlay—which in the currency of that time was more than twice as great as such a sum would be today—Parliament imposed the Stamp Tax, and other measures arousing among all classes the deepest resentment against the British government. Colonial merchants responded instantly with non-importation agreements which cut their trade with the mother country by some £600,000 in the summer of 1765.

Certain measures were supposed to aid the colonial businessmen. A high duty was to exclude foreign indigo. No more foreign rum was to be imported. New England whalers were given a monopoly of the home market for whale fins. New markets were legally opened for American rice.

But such favorable measures were more than offset by other changes which the colonial merchants considered entirely contrary to their interests. Smuggling, for example, was made much more difficult. And this was no small matter since this illegal trade was estimated at £700,000 of merchandise yearly.<sup>74</sup>

The duty on foreign molasses was cut in half, but the lower tax of 3d per gallon was to be effectively enforced. New import duties were placed on certain Oriental and French drygoods and on foreign coffee. Direct imports of wine from Madeira and the Azores would no longer be permitted, as the British suspected the wine ships of smuggling in other goods. Wine imports must thereafter be routed through an English port for inspection. This was especially annoying to the merchants as the wine islands provided a speedy return cargo for ships carrying American fish and other foods to the Mediterranean.

Several important colonial products—iron, hides, potash, pearl ash, raw silk, and whale fins—were added to the “enumerated” commodities which might be legally exported only to Great Britain. (Actually, the trade in whale fins increased, but this

did not lessen the merchants' resentment over such restrictions.) And slight duties were imposed on coffee and pimento shipped from one colony to another.

While the northern merchants were hit by these new regulations, the farmers and artisans, who lived from hand to mouth and were always short of money, resented especially the Currency Act of 1764. This extended to all colonies the restrictions against paper money which had been imposed in 1751 upon the New England colonies. To protect colonial investments of British merchants, heavy penalties were laid upon any governor who approved an act making bills of credit (i.e., paper money) legal tender. And such bills of credit as were already in circulation were to be retired at the time appointed when they were issued.

## **RISE IN BUSINESS INTERESTS**

Underlying all these colonial grievances was a rapidly maturing conflict between the dominant business world of old England and the rising business interests of the colonial merchants and land speculators. This conflict was sharpened by the general commercial crisis which came after 1763 as reaction from the war prosperity.

The colonies were never self-sufficient. The time was long past when any country could exist without interchange of products with other countries. But the business world of 18th century England held strongly to the creed of mercantilism, as it is called. That is, they tried to maintain within the British Empire a monopoly for manufactured products from the old country and a definite priority claim on the foods and materials produced by British colonies. Such a goal was never reached, in reality, but it was never forgotten by the English businessmen and their government.

An un-named writer summed up the British merchants' position in a treatise published the year before the Americans issued their Declaration of Independence:

"All that this kingdom can expect from the northern colonies is to keep down public manufactories, which take the wool from the sheeps' back, and convert it into cloth; the flax from the ground, and make it into linen and lace; the skin off the beast, and turn it to finished fabrics of leather; the iron from the ore, and convert it into the variety of utensils which Sheffield and Birmingham exhibit; and the same in other instances: but this reasoning must not be carried too far in any of these articles; there are objects which, when completed from wool, leather, and iron, will still be of such small value that the very freight from Britain and carriage to the consumer would be twice the worth; such we may be sure will be wrought in the colony. But when we see them making cloth of 12s. a yard, linen of 5s., hats of 16s. each, locks, keys, and curious articles of hardware, which is the case, we may then be certain that the policy of this kingdom is deficient; and that without violence, such manufactures might be put down."<sup>75</sup>

Within the colonies, convenience and profit were more important than empire restrictions in determining the course of development. The southern colonies were more docile than the northern, for in the South agriculture provided staple products which found ready market abroad. Here, in spite of some colonial grants to encourage production of finished goods, the stimulus to broad industrial development was lacking. And yet their exports of tobacco and other staples did not wholly offset the imports they desired. Thomas Jefferson estimated that within Virginia alone, planters owed British merchants at least £2,000,000 at the opening of the Revolutionary War. In the North, on the other hand, and especially in Massachusetts and Pennsylvania, industrial products and methods of production had roughly kept pace with those in the old country. Already they were exporting ironware and tools to the West Indies.

In the triangular commerce with the West Indies, New England traders had grown rich from their barter of slaves, molasses and rum. A gallon of molasses from the French and Dutch West Indies would make a gallon of rum to be distilled in the Massachusetts, Connecticut, and Rhode Island colo-

nies. Much of the rum was then exported to Africa where it was traded for men and women who were to be sold as slaves.

Packed into the deep holds of sailing vessels from Boston and Newport, the captives were taken to the West Indies and there exchanged for the molasses. Or they were taken to Virginia and bartered for tobacco. Profits were exorbitant. For 100 gallons of rum valued at £10, a Negro could be bought on the Gold Coast of Africa. The man or woman could then be sold in America for a price ranging from £20 to £50. This commerce in rum and human lives had laid the basis for many a fortune in the northern colonies. Newport maintained 22 stills for making rum and the wealth of that port, it has been shown, was based mainly on the rum and slave trade.

Pennsylvania, however, held the lead in industrial development, not merely because of her iron and, later, her coal which have kept her in the forefront of our industrial life. More important in her early development were the achievement of a stable currency in her well-managed land-bank notes, and the growth of a compact inland population away from easy access to the river highways of the Susquehanna and the Delaware. Both New York and Pennsylvania had timber, iron ore, and good wheat land. But the cost of transporting wheat one hundred miles to a port for shipment was six times as great in the inland valleys of Pennsylvania as along the great Hudson River waterway. "Partly, perhaps largely, for this reason, Pennsylvania became a seat of diversified industries and home manufactures, while New York remained chiefly a commercial and agricultural colony until the end of the colonial period."<sup>76</sup>

Production, meanwhile, was developing from the workshop of the independent artisan and his apprentice to the simplest form of capitalist industry. In early colonial days, the independent artisan had produced directly for the customer, either on order or with a tiny retail shop as part of the artisan's own set-up. Then, as wider trade developed, the merchant came into the picture, buying the artisan's product and selling it in a more distant market. Little by little the merchant took control also of the process of production, not only fixing the price paid by the



consumer for the artisan's product but also providing materials, and paying the artisan not for his product but for his labor as a worker producing goods which belonged to the merchant and not to the artisan. Such development was hastened by the Revolutionary War and by new technical achievements in the following years.

Of course port merchants, who might be concerned only with trading and lending, had a special source of profit in providing ship supplies and also themselves shipping American wheat or tobacco to the old country. They would be speculating in city real estate and in western land. And even those who took no active part in developing industry would be advancing loans not only to itinerant traders but to such concerns as distilleries, sugar refineries, flour mills, and iron works. It was merchants who held mortgages on real estates. Some had capital invested in British government bonds and in "funds" of the Bank of England.<sup>77</sup>

Underestimating the growth of capital in the colonies and the inner drive for profit from it in the new country, British businessmen and their government blundered along, creating fresh grievances which led to the final rupture. The Lords of Trade, for example, twice ordered colonial governors (in 1766 and 1768) to send exact reports on all manufactures set up since 1734. Parliament suddenly required in 1766 that *all* exports from the colonies to points north of Spain—and not only those previously listed—must be shipped via a British port. At the same time, they hoped to discourage smuggling by new sugar regulations. But these merely cut down sharply the trade in sugar and clogged the market outlets of the British West Indian planters.

In November, 1766, two hundred and forty merchants—leading businessmen of New York City—listed their grievances in a petition to the House of Commons. And shortly afterward (in January, 1767) a similar statement was dispatched from Boston. The New York merchants insisted that complete exclusion of foreign rum made special difficulties in the trade with the Danish West Indies. The Boston merchants objected to the sugar duty

as cutting down the profit from rum. They protested the detailed reports required in registering a vessel and charged that British naval officers had autocratic powers of seizure, together with protection from damage suits. Both groups objected to the high duty placed on Madeira wine as cutting down exports to the wine islands of American foodstuffs and lumber. And they pointed out that Britain would lose a valuable return for her manufactures if all sugars exported to that country from the continental colonies had to be classified as "French."

The fact that colonies and colonial business had no voice in the making of policy—whether political or economic—was, of course, the basic American grievance. And their developing common interest in greater business freedom was perhaps the most important root of a new national consciousness. Some liberal spokesmen of British business sincerely desired to promote colonial prosperity, for prosperous colonies were good for British merchants. According to William Pitt, they derived a profit of at least £2,000,000 a year from colonial business. But none of the Britishers could look beyond their own little world. They feared rising competition with English industry. And they intended to manage imperial policy without colonial interference. However skillfully Benjamin Franklin might operate as a London lobbyist for the colonial businessmen, the English business interests dominated imperial policy and expected unquestioning submission from the upstarts across the sea.

In the midst of this sharpening conflict between English and colonial interests, there developed in England the first of the important technical inventions which marked the Industrial Revolution. Machine spinning and practical control of steam power without a fearful waste of fuel opened the way to the growth of factories and a tremendous increase in the productivity of labor. Applied by owners of capital who utilized this technical progress as a basis for increasing their profits, such technical advance sharpened the inner contradictions which have always plagued the course of capitalist development. By increasing the productivity of the workers' labor without a corresponding increase in their purchasing power, the Industrial

Revolution intensified the quest for world-wide markets. It made the English manufacturers more insistent than ever on monopoly control of colonial markets and on measures to check the growth of colonial industry.

In the end, however, it was not the restrictions on colonial manufacture but the growth of national consciousness and resentment over British taxation and control which brought the conflict to a focus and led to the decisive break.

## MOVING TOWARD REVOLUTIONARY WAR

Throughout the years of discontent and conflict which preceded the Revolutionary War, class differences within the colonies were reflected in different methods of protest and struggle. Taking the lead in organization, in the circulating of printed leaflets and manifestoes, and in public demonstrations, were the town artisans who banded together as Sons of Liberty. A few merchants who shared their desire for active struggle joined with the artisans in these organizations. Outstanding were William Molineaux of Boston, Isaac Sears and John Lamb of New York, and Christopher Gadsden of Charleston. And as the struggle developed, the most militant Boston revolutionist was the lawyer, Samuel Adams. A far greater number of merchants openly feared the vigor and intelligence with which the Liberty Boys carried on the work that culminated in open war and the Declaration of Independence.

Customs duties imposed in 1767 and identified with Lord Townshend, then Chancellor of the Exchequer, aroused a storm of protest, with non-importation agreements and definite efforts to increase industrial production in the colonies. In Boston, an attempt to interfere with customs officers checking for duties the cargo of a sloop belonging to John Hancock, gave the royal governor an excuse for bringing troops from the harbor garrison to be quartered within the city. Their presence was deeply resented by the people of Boston, and on March 5, 1770, some of the soldiers were "attacked" with snowballs. In the fracas which followed and which has come down in history as the

Boston Massacre, four of the "attackers" were shot down by the British soldiers. These first men to perish in the revolution included Crispus Attucks, a runaway Negro slave who had escaped to freedom.

That very day, the British were repealing all the Townshend duties except the tax on tea.

Tea shipments arriving in colonial ports after this news had reached the colonies were either rejected and turned back or they were stored to await developments. But not until the Tea Act of 1773 were the merchants really aroused. Then Parliament, under the leadership of Lord North, unwittingly united for the revolutionary struggle classes which had been held apart by their own conflicting interests. Determined to enforce the collection of the tax on teas, Parliament decreed that the East India Company might by-pass the colonial merchants (whose agents had hitherto purchased their tea at public auctions) and deal directly with the colonial retailers. As Joseph Galloway of Philadelphia pointed out, this might well reduce by one-half the retail price of tea for American consumers. But it was a direct attack on the American merchants' profits from tea and thus became one of the decisive factors aligning most of them with the revolutionary forces.

The Boston Tea Party of December 16, 1773, when the first cargo of tea arriving under this new provision was dumped into the harbor, gave Parliament the pretext for closing the Port of Boston to all commerce and depriving Massachusetts of self-government until full compensation was made for the value of the cargo which had been destroyed. The Crown would appoint councillors without consulting the provincial House of Representatives, and the royal governor would appoint and remove judges of lower courts without consulting the Council.

Another Act (on the Administration of Justice) made it legal for the governor of Massachusetts to transfer to England or to another colony cases brought against soldiers or officials involved in suppressing any popular disturbance. This was intended to remove such cases from juries which included Sons of Liberty. A third measure, known as the Quartering Act, ordered that

troops must be housed within the City of Boston, even if no barracks were available.

At the same time, Parliament was arousing fresh resentment against Britain among the competing groups in New York, Pennsylvania, and Virginia who were interested in western land. In spite of Imperial Proclamations setting boundaries beyond which settlers could not legally take up land, many traders and others had gone into the forbidden West. And minor conflicts between settlers and Indians blazed into another serious war, culminating in 1774 in the bloody victory of Virginia troops over the Shawnee Indians at Point Pleasant in the Kanawha Valley.<sup>78</sup> But meantime, about four months earlier, Parliament had decreed (in the Quebec Act of 1774) that the West must not be occupied by speculators and settlers from any of the Thirteen Colonies. All territory north of the Ohio river would thereafter be considered part of the Province of Quebec. This not only disrupted the plans of speculators, but nullified the conflicting western claims of four colonies: Massachusetts, Connecticut, New York, and Virginia.

Although three of these "Intolerable Acts" of 1774 affected directly only the one province of Massachusetts, they touched the match to smouldering grievances from New Hampshire to South Carolina. On the initiative of the Virginia Assembly, fifty-six delegates from these twelve colonies (lawyers, merchants, farmers, and a few artisans) gathered in Philadelphia in September, 1774, for the First Continental Congress. Georgia did not participate. Most of her people were still content with their British bounties on lumber and naval stores, and they welcomed British military defense along the Indian frontier. Many in Savannah, however, approved the actions of the Congress, and Georgia was represented in all the later developments of the struggle for independence.

Grievances leading to the Revolutionary War involved all classes within the American colonies. Farmers, artisans, and large landowners objected to the restrictions on western settlement. The chronic shortage of money was most irksome to small producers who carried their goods to market and wanted

in exchange fair prices paid in a handy currency. They still resented imperial regulations which interfered with their experiments in paper money. And one and all they objected to the taxes imposed by the London government.

But the move against British restrictions was definitely initiated by merchants and lawyers and southern landowners. Not a single artisan was included in the Second Continental Congress which drafted the Declaration of Independence. It was, however, these very classes—merchants and large landowners—who were divided in their sympathies. Most of the landlords and many of the merchants remained loyal to the Empire. They had serious grievances of their own, but they feared the zeal of artisans and farmers. These radicals might even set aside the English laws protecting property rights! Richer merchants felt a great uncertainty as to their future, if they were cut adrift from the trading privileges of the British Empire and the financial apparatus which had been developed in London, the imperial capital. Some of them owned stock in the Bank of England, the British East India Company, and other old-world concerns.<sup>79</sup> For example, Peter Fanueil, wealthy Boston merchant of an earlier generation, had held in the 1730's some £15,000 of the Bank stock, £1,000 Exchequer annuity, over £6,500 in Old South Sea annuities, £300 in East India Company bonds and £500 in East India stock.<sup>80</sup>

Merchants commonly had correspondents and agents abroad. Merchant ships were protected by the British Navy. Most of them were insured by the London Assurance Corp. or by one of the groups of underwriters which gathered at Edward Lloyd's coffee-house in London.<sup>81</sup>

Certain foundations had, however, been laid for an independent American economy. Long before the Revolution, merchants in colonial seaports were beginning to set up temporary groups for insuring each other's shipping. Robert Morris was one of "Six Gentlemen of Fortune" who had organized a permanent Philadelphia insurance firm as early as 1757. Such development was speeded by the Revolutionary War when shipowners were willing to pay rates pushed up far beyond the actual increase in

hazard. From this period dated the first real "company" for insurance, organized in Boston by John Hurd and nineteen other merchants.<sup>82</sup>

No bank had yet been established here. But merchants had monumental iron chests with their private reserves of gold and silver, from which they made loans at high interest to "worthy" neighbors. For most large transactions they used bills of exchange, and these passed from hand to hand long before any commercial bank, in the modern sense, was established, or even proposed, in this country.

In the financing of business enterprise, there was little co-operation. Partnerships were common but corporations were few. "Exceptionally large" as a business venture was the monopoly combine of spermaceti chandlers set up by the firms of four cities (Boston, Providence, Newport, Philadelphia) and including the wealthy Brown Brothers of Providence.<sup>83</sup>

## PROFITING FROM WAR BUSINESS

Even before 1776, Congress had been aroused by rumors that army supplies were serving as a rich source of profits for merchants and army agents. It was said, for example, in September, 1775, that a leading Philadelphia firm (Willing and Morris) would be making a profit of £12,000 on powder contracts.<sup>84</sup>

A favorite wartime occupation among merchants in seaports was the trading in foreign bills and drafts, since the values of such paper rose and fell sharply with the course of the struggle. Privateering was a more glorious source of profit. Some two thousand American merchant ships were commissioned as privateers. They aided the struggle by capturing British war supplies on the high seas. They also brought rich money returns to the shipowners as the captured British cargoes were sold in this country. Even though prize money would be distributed among the crew, most of the cash would go into the owner's chest. Of course such gains were partly offset by losses of ships and cargoes captured by the British, but the Yankees more than held their own in the war at sea.

On the whole, colonial merchants greatly increased their fortunes during the Revolutionary War and they came out of the struggle well prepared for political independence.

Robert Morris, business partner of Thomas Willing in Philadelphia, was already an enterprising young merchant before the Revolution started. During the war it was said of him that his wartime commercial ventures had made him "extremely rich." It is certainly true that his public service connections enabled him to "profit largely" as a private individual.<sup>85</sup>

Willing and Morris were already interested in the tobacco trade before the war but their share in it doubled in 1776. Morris was successful in coordinating the work of a large group of businessmen in all the colonies.

Stephen Girard, a Frenchman who had settled in Philadelphia, supplied goods for both civilians and soldiers. He dealt in rum, coffee and salt, and in munitions. He also engaged in privateering. After the British evacuated Philadelphia he increased his working capital, in a short time, by more than 10,000 livres.

Girard's wealth grew in the post-Revolutionary years, mainly from his shipping and banking interests. His investment in the United States Bank returned him several million dollars. He had also highly profitable investments in real estate and other property in Philadelphia, a center which grew more and more prosperous in succeeding years. Girard became a large stockholder in canal and river companies and was rich enough before he died, in 1831, to invest \$200,000 in the Danville and Pottsville Railroad. In his will he bequeathed \$500,000 to the city of Philadelphia for civic purposes and \$300,000 for Pennsylvania canals. After all bequests there was still \$6,000,000 for a trust fund which was later invested in coal mines in the anthracite region of Pennsylvania and in other industries. Girard was a founder of one of the richest families in the post-Revolutionary period and established one of the earliest of the large fortunes in this country.

William Duer in the Hudson Valley of New York grew rich during the Revolution as a business entrepreneur and army contractor. In 1775 and 1776 he supplied the army with planks for



bridges and masts and spars for Continental frigates on the Hudson River. He paid himself \$15,000 for obtaining grain for the army in 1776 and received \$30,000 for further supplies of grain, hay, and straw. In 1777, he erected barracks for 2,000 men at Peekskill, New York, and was undoubtedly well paid for this contract also. From the profits he made in army-supply work he was able in 1784 to set himself up in private business in New York City.

In Massachusetts, John Lowell was laying the foundation for the family fortune, later to be invested in textile mills. He was among those urging a stronger central government in the post-war years. One of the twenty Boston merchants and lawyers who in 1783 joined John Hurd's insurance company, Lowell later became a director of the Massachusetts Bank and also of the branch bank of the United States in Boston. He was one of the many colonial merchants who in the years after the Revolution shared in the development of investment and banking technique.

Some of the larger merchants held aloof from the political issue of independence or were even actively hostile to the "Patriots," but many others were more far-sighted. Having been hampered and annoyed by the restrictions on colonial trade, they saw that greater opportunity could develop from defying the British and breaking away to create a new country of their own. As influential citizens in their own towns and provinces, those merchants and lawyers who espoused the revolutionary cause now played a leading role in organizing and financing the struggle, and in developing an independent government.

Of the fifty-six men who signed the Declaration of Independence, thirty are listed as lawyers or jurists, thirteen as merchants, six as landowners, three as manufacturers, two as soldiers, one a physician, and one a college president. Several of the lawyers and merchants had investments in the new expanding industry of the country. And most of the southern lawyers were also landowners. Notably absent were spokesmen for the artisans and the working farmers who not only made up the majority of the population but had already taken the lead in armed struggle against the British.

In the war against British imperial control, the colonies reached a new stage of economic development. Non-importation agreements during the ten years before the actual outbreak of war had stimulated intercolonial trade and brought some increase in production. But much more definite was the effect of the War for Independence. During those eight years (1775-1783), with the urgent need for arms and munitions, and for uniforms and provisions, industrial production really took root in this country. And yet, in metal industries, the picture was confused. Some iron works which had produced for export, and others disrupted by the presence of warring forces, actually lost ground during the war. But steel plants were expanded. Manufacture of rifles and shot developed at many inland points of which at least two (Springfield, Massachusetts, and Waterbury, Connecticut) became permanent centers of fine metal work. With the sharp drop in foreign imports, many other manufactures were also stimulated. Textiles and the making of paper and glass were definitely expanded.<sup>86</sup>

From the war period, with its shortage of labor and the cutting off of British imports, dated also important technical advances. Several industries, including agricultural implements, vehicles, and furniture, and the packing and shipping of flour and salted meats, were started on the path of modern factory development.

Of course the colonies lost some capital and industrial experience as Loyalists departed to Canada or England and took with them such liquid funds as they possessed. And in several seaports the criss-cross of conflicting interests greatly confused the political picture. In Providence, for example, during the long British occupation of neighboring Newport, local industries flourished and muskets were made for the patriot army. At the same time other businessmen, including "even the best Whigs," carried on active trade with the English fleet, even while they were also supplying the patriot forces.<sup>87</sup> (Business interests in modern times also have proved themselves quite willing to trade with enemy nations for the profits involved. Munitions made in the United States reached the Germans in World War I and the Japanese in World War II.)

In spite of confusion and difficulty, the fortunes of merchants and some officials thrived and expanded. The new industrial capitalists also prospered. They emerged from the war not only with expanded fortunes but also with expanded factories and the small beginnings of a "mass production" which required a wider market than any one of the states could provide. With the ending of wartime sales, both merchants and manufacturers became supporters of a definite and permanent national union among the states, with no interstate tariff barriers to block the growth of interstate business. They insisted, however, on tariffs to discourage foreign imports competing with the products of their newly developed industries.

## GAINS AND LOSSES

While the long struggle for independence was making the rich richer and stimulating industrial development, the mechanism of money and exchange lagged behind the apparatus of production and shipping. Most of the foreign aid, which totaled nearly eight million dollars, was granted either in the form of munitions and supplies or as credits placed at the disposal of the Americans. How to convert these foreign credits into funds immediately available within the United States was a problem challenging the patriotic merchants in this country. By way of solving this problem and also providing other funds for the government, Robert Morris of Philadelphia led in establishing, in 1781, the Bank of North America, the first commercial bank set up in this country.\*

But Morris and his new bank could not have realized the full value of these foreign credits without such aid as was given by Haym Salomon, a wealthy Jewish merchant in New York. Salomon personally bought from the bank at a high rate of exchange a great volume of foreign bills and held them until the revival of foreign commerce restored a broad genuine market

\* This bank functioned continuously until it was merged in 1929 into the slightly younger Pennsylvania Company for Insurance on Lives and Granting Annuities which dates from 1812.

for foreign credits.<sup>88</sup> He also aided the bankrupt revolutionary government "by loans of money and by advancing liberally of his means to sustain the men engaged in the struggle for independence."<sup>89</sup>

Common action among the thirteen states, on finance and money, became more and more necessary as the war progressed. Funds were borrowed and until 1779 "continental" paper currency was being issued to cover the expenses of the continental army,<sup>90</sup> but there was no adequate political structure to support the bonds and the paper money. The thirteen states were not yet prepared to yield their sovereignty to a central government. Twice the Continental Congress moved to amend the Articles of Confederation so that the Congress might collect an import duty to cover at least the interest on the Confederation debt. But both proposals were blocked, the first (in 1781) by Rhode Island, the second (in 1783) by New York. The Articles of Confederation as the written instrument of government, expressing the Declaration of Independence, had been submitted to Congress in July, 1776, but were not ratified by all the states until 1781. They gave only limited power to Congress which could act only on behalf of the several states and could not enforce its decisions in interstate matters. It could not borrow money except with the approval of nine out of the 13 states. Even after ratification, Congress still had little power to act independently.

Even within their separate states the citizens were skittish about wearing the harness of taxation. As requisitions for military supplies were laid upon the states, they saw only two possible ways of raising funds to buy from the citizens the food and clothing and arms and equipment for which they were supposed to be responsible. They could—and they did—borrow large sums from prosperous citizens against promises from the state apparatus ultimately to repay the loans. They could also—and they did—issue bills of credit (paper money) of assorted amounts which went directly into the hands of farmers and weavers and tailors and gunsmiths who actually produced the various things needed by the army.

The new, loosely organized Confederation government re-

peated this process and itself also borrowed from wealthy patriots. But, like the states, it relied mainly upon issuing paper money, assigning quotas which the several states would supposedly be responsible for redeeming.

At the same time, however, before the end of the war considerable amounts of gold and silver had come into the states. Some wartime exports to the West Indies were paid for in specie. Both the British and the French paid in hard money for supplies purchased here. And part of the war loans which Benjamin Franklin obtained from France, Holland, and Spain came in the form of gold and silver. The supply of hard money was actually larger in 1781 than in 1775.

But this gold and silver bore no relation to the paper money poured out by the states and the Continental government in payment for supplies. In the absence of effective taxation, the paper had nothing back of it and steadily depreciated as it passed from hand to hand. By 1780, the Continental currency was worth barely one-fortieth of its nominal specie value. Three years later, when the peace treaty was signed, all the paper—both continental notes and notes issued by the states—had become completely worthless. The loss of value had been spread, little by little, over the entire population, involving all classes, merchants, mechanics, artisans and farmers. But as always those who had the least in resources suffered most.

The war for independence stimulated industry in this country. Thrown on their own resources, colonists began to develop sheep-growing when they could no longer get wool from the mother country. Homespun clothing took the place of the finer goods formerly imported from England. Southern planters found they could get higher prices for their rice and tobacco. In the northern colonies, iron-masters were making munitions, tools, and kitchen utensils in newly opened foundries and furnaces.

Trade with Great Britain was resumed, however, soon after the war ended. Americans wanted what English merchants could provide and British goods were available for credit on good terms. The new Republic could provide cotton, timber, rice, tobacco, fish, rum and other commodities the British wanted. By

1790 it was reported that three-fourths of American imports came from Great Britain while half of all exports from America went to the British.<sup>91</sup>

## POSTWAR CONFLICTS DEVELOP

The end of the war brought a period of commercial decline, especially in the northern states. Cut off from their favored position in the British West Indies, the Yankee merchants found their exports sharply reduced until they built up new markets in the Pacific and the Mediterranean.

But this postwar slump differed from the later cyclical crises which have become the familiar pattern of capitalism in the 19th and 20th centuries. Not until 1819 did this country go through its first full-fledged business crisis.<sup>92</sup>

Postwar years after the American Revolution, from 1783 to 1789, have been called "the critical period of American history" but the critical factors in the new nation's economy have usually been exaggerated. There was undoubtedly a depression in the mid-1780's, reaching its worst stage in 1786. Industries closed down. Merchants went bankrupt. Many persons were in debt and debtors were often imprisoned. Farms were heavily mortgaged or offered for sale. Mechanics and apprentices were jobless. But by 1787 the tide had turned.

"Could some of the tales of woe have been Federalist exaggeration to convince folk of the need of a new government, while the state was actually well off?" writes the historian, E. Wilder Spaulding. "The Hamiltonians, eager to prove the need for a new Federal system, might studiously ignore the lifting of the clouds; yet there can be little doubt that they were lifting in the months after 1786. . . ."

"And the approach of prosperity before the inauguration of the new Federal system obviously disproves the contention of the older historians that the improvement in economic conditions was the result of the adoption of the new Constitution. . . . The crisis had been passed, even before the Philadelphia Convention met."<sup>93</sup>

Alexander Hamilton and his Federalist party were probably exaggerating the new nation's difficulties in order to justify their

argument for a stronger central government. And this centralized Federal system was needed, they claimed, in order to keep in check the democratic movements of artisans and farmers in the postwar years. The story of these years becomes, indeed, the history of the class struggle, with the Hamiltonians serving as spokesmen for the merchant class as opposed to the mechanics, artisans and farmers who represented the new American democracy.

Monetary problems were not yet solved. With the coming of peace, the merchants and landowners who controlled the governments stopped the issuing of paper money and tried to build up public funds by collecting overdue taxes. At the same time they pressed for payment of private debts. But farmers and artisans had such difficulty in selling their products that their taxes remained in arrears. Their debts to mortgage holders and storekeepers increased. These less prosperous citizens renewed the demand for laws postponing the collection of debts and providing for new issues of paper money. In 1786 they carried the elections in seven states.\* Class lines were drawn more sharply than ever between the debtor farmers and artisans and their merchant creditors.

## DEBTORS REBEL IN NEW ENGLAND

In Massachusetts, where the conservatives had carried the day in the elections of 1786, this conflict of interest broke into open rebellion during the latter part of that year. Private debts had accumulated and taxes were heavy. A letter to John Adams from Rufus King, member of Congress from Massachusetts, showed that state taxes in 1786 would take one-third of the citizens' income—"beyond what Providence would authorize."

One of the earliest accounts of Shays' Rebellion (published in Boston in 1810) pointed out that it was indeed a class conflict, arising from unjust taxation. The tax law of 1782 was described as "the first signal for hostilities between creditors and debtors,

\* Rhode Island, New York, New Jersey, Pennsylvania, North Carolina, South Carolina, Georgia. (*Shannon, Economic History of the People of the United States*, p. 132.)

betwixt the rich and the poor, between the few and the many." Farmers and others involved in the demonstrations felt their creditors had no right "to drag them into courts and prisons."<sup>94</sup>

The courts had the authority to enforce payment of debts and taxes. If they decided against a debtor they could force the sale of his farm. If the sale of his property did not bring enough to meet the debt, the court could throw him into prison. If the debtor did possess enough to pay the creditors there might not be enough paper money in these postwar years to carry through the payment. In that case, also, the debtor was usually jailed. Indeed, one reason for the westward migration of so many people in this period was the opportunity to escape imprisonment for debts. Even as late as the 1820's imprisonment for debt was still so common in the United States that about 75,000 persons a year were jailed for that one cause. A person could be imprisoned for a debt of even the smallest amount and remain in jail until all debts, plus prison charges, were paid off. It was not until the 1830's that the young labor movement raised the demand to abolish imprisonment for debt.

In 1786 there were as many persons in prison in Concord, Massachusetts, for debts as for all other "crimes." Massachusetts and something must be done. Delegates from 50 towns in the Connecticut River region met in August, 1786, to take action on the "many grievances and unnecessary burdens now lying upon the people," as their resolutions declared. Nearly 1,500 demonstrators, called "insurgents" by the authorities, assembled under arms at Northampton on August 29, 1786, took possession of the Court House and effectually prevented the court from sitting. Other similar groups went to the court houses at Worcester, Great Barrington, and other towns.

Under the leadership of a farmer, Daniel Shays, a veteran who had been a captain in the Revolutionary Army, farmers marched into Springfield in January, 1789, and on toward the government arsenal. People of the rural communities were so sympathetic with the insurgents that the regular militia could not be relied upon to attack them. A special armed force made up of



college students and others from the towns had been mobilized and armed at the expense of a few Boston merchants who in twenty-four hours raised £40,000 to put down the farmers' revolt. The government commander opened fire on the demonstrators, killing three and wounding others. The farmers were driven back into the hills. Some fled to the west. Shays and others were tried and convicted for their part in the revolt, but Shays was pardoned in 1788. In his advanced age he received a pension from the government for his services during the Revolution.

Such demonstrations by farmers and other debtors were not confined to Massachusetts. There were similar actions in New Hampshire and Vermont. In New Hampshire in 1786 several hundred men surrounded the building where the state legislature was meeting and demanded that measures be passed to ease their tax burdens.

The Massachusetts legislature at its session in 1786 took account of the debtors' grievances and passed measures to allow payment of back taxes "in specific articles, at fixed rates, on account of the scarcity of money." They also agreed on a plan "to render law processes less expensive."<sup>95</sup>

Shays' Rebellion thus resulted in some reforms. Thomas Jefferson, then minister to France, saw that it had accomplished needed changes when he wrote to James Madison on January 30, 1787:

"I hold it that a little rebellion now and then is a good thing, and as necessary in the political world as storms in the physical. Unsuccessful rebellions indeed generally establish the encroachments on the rights of the people which have produced them. . . . It is a medicine necessary for the sound health of government."<sup>96</sup>

## FAVORING THE WEALTHY

Political developments within the new nation were of great concern to the business world. Having broken their ties with the old country, the several states were now confronted with three outstanding problems which could not be solved without joint action. Merchants and landowners holding shares in the contin-

ental debt were not prepared to see it slide into default. They needed a uniform and stable currency. And in relation to western land both frontier settlers and speculators sought a definite national policy on the terms under which land might be taken up and peaceful relations maintained with the Indians.

Common effort among the thirteen states had been fitful and ineffective until they had set up in 1774 the Continental Association concerned with terms of trade. This had developed, through the war for freedom from English rule, into a Confederation of independent states. But this loose form of union proved inadequate for solving their common problems, and in 1787 a Constitutional Convention (made up chiefly of merchants, land-owners, and lawyers) adopted the Constitution which survived as the basis of our national life.

Class forces in the young Republic of 1787 were clearly outlined in the struggle over the U.S. Constitution and the first ten amendments, passed so soon after its adoption. The delegates adopting the Constitution in its original form included 14 land speculators, 24 money-lenders, 15 who owned slaves, 40 who held public securities, and 11 businessmen with interests in manufacturing, mercantile enterprises or shipping. Workingmen and poor farmers were not represented among the delegates. Small farmers, indeed, actively opposed ratification of the Constitution because of its basically undemocratic form and its protection of property rights above the rights of man. Thomas Jefferson, then Minister to France, and James Madison of Virginia called vigorously for a Bill of Rights, so conspicuously left out of the original seven articles. The widespread demand among the people for the protection of human rights thus led to the first ten amendments, known as the Bill of Rights, which became effective in December, 1791. They guaranteed freedom of speech, freedom of the press, the right to petition, freedom of assembly, religious liberty, the right to trial by jury, and other rights—rights that are being abrogated and have to be fought for all over again after 158 years.

Not until after the new Republic was created and George Washington had been installed as President were the twin

problems of currency and public debt solved to the satisfaction of the merchants and manufacturers.

The Constitutional Convention—made up of merchants and landowners, deeply concerned with the legal protection of property rights—had prepared the way for settlement, by inserting in the Constitution the all-important clause that “All debts contracted and engagements entered into before the adoption of this Constitution shall be as valid against the United States under this Constitution as under the Confederation.” This promised ultimate redemption of the federal debt, but left uncertain the status of creditors holding bonds issued by the individual states.

When President Washington took office, he was not unmindful of the state creditors’ claims. With his own wealth primarily in land, he was also personally interested as one who had advanced considerable sums for the expenses of the Revolutionary War. And, of course, it was only men of substance—large landowners and merchants—who held the bonds for the public debt. Funds for repayment would come chiefly from customs duties and other taxes bearing heavily on the great mass of the people.

Alexander Hamilton, precocious young Secretary of the Treasury, drafted a plan on the public debt satisfactory to all creditors, and when this plan was adopted by Congress in 1790 it clinched the loyalty of “substantial citizens,” to the new government. Under it, the Federal Government assumed responsibility for both principal and interest of the entire public debt, state and federal.

This was not only a windfall, giving substance to hopes on which they had been speculating as they bought up for next to nothing most of the bonds held by their poorer neighbors. It sharpened the contrast between the wealthy groups (merchants and land speculators) and the small farmers and artisans who made up the majority of the population. Politically more important, it strengthened the position of the federal government with those businessmen who had been inclined to give paramount loyalty to their own states. And it gave the United States a new prestige among foreign powers which had watched with skeptical uncertainty the internal difficulties of the colonies.

Of course, the plan favored the wealthy who had advanced large sums during the revolutionary struggle. And it was immensely important as giving assurance that the United States would serve as the political structure of a capitalist nation.

Alexander Hamilton himself was a Federalist, speaking for the interests of the large landholders, merchants, and bankers whom he had represented as a lawyer in New York. He had married the daughter of General Philip Schuyler and was thus included as one of that aristocratic family. He was a promoter and director of the Bank of New York and inevitably the champion of property. Although he had participated with zeal in the Revolution, he believed at heart in a monarchy and opposed the ideal of an American democracy. Indeed, in a speech in the Convention at Philadelphia in 1787 he upheld the monarchy of George III as the best model government in the world.

Since a monarchy was clearly not practicable in the new country, Hamilton favored what he deemed the next best form of government, an aristocratic, strongly centralized state, under an executive who would be elected for life tenure. The executive would hold absolute veto power over all national legislation and would appoint all state governors who in turn would have veto power over all state legislation. Under Hamilton's plan, the senators in the upper house would be chosen on a property basis and would be elected for life. The interests of the propertied upper class would be safeguarded by all possible means.

As a cabinet officer Hamilton often assumed the power of a prime minister, revealing constantly that he had no faith in the people, no belief in the intelligence of the common man. He was not only secretary of the treasury and the financier of Washington's cabinet; he was also a herald for the capitalists who rose to power during the next hundred years of American history.

## FARMERS STRUGGLE AGAINST TAXES

In the quest for federal revenue, Congress in 1791 imposed excise taxes on rum and whiskey in a plan drafted by Hamilton. After three years of grumbling resentment, these called forth the

famous Whiskey Rebellion of 1794. The large distillers manufacturing New England rum paid the tax without protest, and passed it on by raising the price to the consumer.

But in western Pennsylvania, the whiskey distilleries were small affairs, scattered on farms which raised the corn. The excise tax of ten cents a gallon bore directly on the farmers and artisans and petty tradesmen of the region. The Pennsylvania farmers pointed out that the tax on whiskey and on the stills would take away the little money they received from the sale of whiskey. They had only a very limited market for their grain sold in bulk, since the freight to Philadelphia cost them \$5 to \$10 per 100 pounds. By converting the grain to whiskey, they could sell it for about \$1 a gallon and a horse could carry two kegs, each containing eight gallons, over the mountains into Ohio and Kentucky. In other states, on the other hand, it was usually more advantageous to sell grain in bulk in nearby markets.

To the frontier settlers in western Pennsylvania the newly developing national life meant, chiefly, most unwelcome visits from the revenue officers who inspected their premises and tried to collect taxes on their stills. The farmers resisted paying the tax and sometimes tarred and feathered the collectors. But Hamilton as the first Secretary of the Treasury was eager to show the power of the federal government to collect the taxes—by force if necessary.

From local meetings there developed organized resistance to the whiskey tax and finally an outburst in 1794. It brought to the hills an army of some thirteen thousand federal troops under General Lee of Virginia, with Alexander Hamilton second in command. With little actual fighting the resistance was ended by this federal intervention. Four "rioters" were convicted of treason but quickly pardoned by President Washington. Later the tax was levied on the still, instead of on the whiskey produced, and in 1802 it was done away with.

Eastern Pennsylvania was the scene of another conflict in 1798, when the Fries Rebellion started in Bucks and Northampton counties. Congress in July, 1798, had passed the House Tax Act, considered by the farmers of Pennsylvania and many others to

be unjust, oppressive and unlawful. The new law provided for the assessment of lands and dwelling houses and the enumeration of slaves within the United States.

This House Tax Act had been passed soon after the hated Alien and Sedition Acts. Congress had put through these laws, also in 1798, under the Administration of President John Adams. Under the Alien Act those called "enemy aliens" could be deported or imprisoned by order of the President. The measures were aimed especially at those who sympathized with the French Revolution, still deeply influencing many in America. The acts were also aimed at the Irish who were arriving in greater numbers as a result of the British suppression of revolts in Ireland. The Sedition Act in effect destroyed freedom of speech and press since under it a person could be fined and imprisoned if he spoke or published anything against the President and Congress. Hamilton and the Federalists favored these laws as strengthening the authority and power of the Federal Government. The Democratic-Republican Party, under the leadership of Thomas Jefferson, actively opposed the Alien and Sedition Acts and proved itself stronger than the reactionary Federalists. One of Jefferson's first acts as President was to bring about the repeal of the hated laws.

The new tax on houses in 1798 bore heavily upon the poorer home-owners. In Pennsylvania it was violently denounced in meetings of farmers. John Fries who led the anti-tax demonstrations was a veteran of the Revolution, a cooper by trade. He had become a travelling crier, journeying on horseback to carry the news in rural communities, and known to farmers throughout that part of eastern Pennsylvania.

At a public meeting called in February, 1799, some fifty persons signed a protest against the house tax. The farmers then marched along the road toward Quakertown, to the music of fife and drum. Some were without weapons; others were armed with guns or clubs. The demonstrators captured the government assessors, who had come to evaluate the land and houses, and successfully prevented their making the assessments.

Federal troops were called out in March, 1799, by the Secre-

tary of War to quell the "insurrection" as it was called by the authorities. The militia was likely to be too sympathetic to the farmers, so five hundred soldiers of the regular army were ordered to march into the region and put an end to all resistance. With this show of force by the "Federal Army," as the people called it, the "rebellion" was put down. Fries and a number of others were arrested, tried at Philadelphia, and convicted of treason. The judge was reported in records of the time as leaning "with a strong bias against the accused."<sup>97</sup> Fries was finally pardoned in 1800 by President John Adams.

The Fries Rebellion showed the spirit of revolt that was strong among farmers and others against unjust taxation and the oppressive legislation that had been adopted by the central government. This spirit found political expression when the election of 1800 swept the reactionary Federalists out of office and put in the democratic Jefferson.

## TRADE REVIVES AND EXPANDS

Even before 1788 when the new Constitution was established, Yankee merchants had begun to revive foreign trade and the shipping industry. The first American ship in the China trade returned home in 1785, and within a few years New England commerce was flourishing again. It continued to grow and expand as the rising tide of frontier settlement widened also the home market for industrial products from New England and the Middle States.

The South recovered gradually. New foreign markets were open for its rice and tobacco, and the British continued to favor American potash, pearl ash, bar iron, timber, pitch and tar.

One of the first acts of Congress was to promote foreign trade by establishing a rebate of ten percent on all imports brought in American vessels. Congress also acted promptly to stimulate trade with China by cutting in half the duties on tea if carried directly from the Far East in American vessels. Duties on tea brought in American ships via London, or in foreign ships, were left at the larger amount. Shipbuilding in the new nation was

advanced with every possible encouragement. Registry under the American flag was allowed only for ships built in this country.

England in the 1780's was meanwhile opposing any development of independent commerce by the United States and was busily dumping her manufactured goods in this country. They were available at lowest prices, with liberal credits for payment.

But the wars in Europe, starting in 1793 between England and France and later spreading through most of western Europe, stimulated the young industries in America. As a neutral nation, the United States could profit from its privileged position by selling farm products and other commodities to the warring countries. European nations were fighting among themselves for commercial advantages but America was the country that gained all the trade.

Chief exports from this country were wheat and breadstuffs, greatly needed by all the belligerents. Prices were high on these goods and profits on American exports of wheat, corn and meat were exorbitant. Flour sold for \$5.41 a barrel in Philadelphia in 1782 but had risen to \$9.12 a barrel by 1793 and the following years.

To carry the immense increase in ocean trade, American shipping facilities were enlarged. Tonnage of merchant ships built in America tripled during the twenty years after 1789. This unparalleled increase naturally brought extraordinary prosperity to the shipbuilding industry and big profits to the shipowners. The proportion of British-American trade carried in American vessels grew from fifty percent in 1790 to ninety-five percent in 1800. The proportion of all foreign trade carried in American ships showed a corresponding gain.

American foreign trade in the last decade of the century increased by nearly two hundred and sixty percent to a total of over \$200 million. Shipowners and big farmers were the groups that reaped the biggest profits from this rapidly growing trade. Soon after 1800 the carrying trade was bringing the owners profits of over \$50 million a year.

Before the end of the century American interests were trading with Argentina and soon afterward with Venezuela. In the early



1800's they started the immensely profitable coffee trade with Brazil that has continued down to the present day.

## MERCHANT CAPITALISTS IN POWER

As trade expanded and production developed in the 1790's, producers were handicapped by the lack of capital and adequate credit. Many had to wait to buy the raw materials for further work until they had sold and been paid for the already manufactured goods.

From this lack of credit there had arisen merchant capitalists who wielded enormous power in the young Republic. The merchant capitalist was a specialist in buying and selling. He studied the markets for raw materials, the facilities for production, and the markets for the sale of finished goods.

By doing business on this larger scale, the merchant capitalist could command extensive credit from the banks. He could stock up goods in advance of definite orders. He did not need to know the processes of actual production and was thus free to specialize in the financial transactions involved in buying raw materials, bargaining over the manufacture, and then selling the finished commodities.

The merchant capitalist could in turn give or withhold credit and thus keep the manufacturers dependent on his good will. Advertising was still almost unknown, but lively competition was developing among the retail merchants who were the capitalists' customers.

"In order to meet competition, the merchant capitalist was forced to cut prices on his goods and to take greater risk in extending credit. At the same time he had to meet his increased marketing expenses and interest on capital; taking care also that there remain sufficient profit for himself. The banks assisted him with capital at lower rates than the mechanic could obtain. By purchasing raw material in large quantities he secured reductions in price which the small manufacturer could not command."<sup>98</sup>

The merchant capitalist provided the raw materials but pro-

duction of the finished goods was now divided between the skilled workers, who functioned as cutters and pattern-makers, and the less skilled who were paid by the piece. Piece rates have always been a form of speed-up by which wages can be cut as the worker's speed increases. The merchant capitalist could thus bargain with home-workers and small manufacturers in towns and villages and increase his own profits by paying lower rates for the manufacturing.

Those who had been master craftsmen in their trades became contractors hired to work for the merchant capitalist at the prices he dictated. Masters employed a few journeymen to do the work but their own profits depended on sweating as much work as possible out of their employees. Workers were divided into teams to speed production and thus played off against each other by methods that became all too familiar during the later years of American labor history.

The merchant capitalists could take advantage of distant markets, encourage competition between one area and another, and thus obtain better prices and increase their own profits. They could bring pressure on the master employers to cut the wages of their employees and manufacture the goods at a lower price.

But the journeymen who were thus reduced to the position of wage-earners were squeezed between their sweatshop bosses and the merchant capitalists—with both groups trying to get as much profit as possible out of the wage-earners' labor. Since employers had become dependent on the merchant capitalist for their sales, they sought to keep their employees' wage down to the lowest possible level. The more skilled workers were the first to suffer in this early capitalist development. And they were the first to seek protection against such exploitation by organizing into trade unions.

## HAMILTON'S REPORT ON MANUFACTURES

In 1791 while Hamilton as Secretary of the Treasury was preparing his historic *Report on Manufactures*, he received a letter written for his information by Moses Brown, cotton spinning manufacturer of Providence, Rhode Island. Brown described the

unfavorable conditions that hampered his textile business and cut into his profits. British manufacturers were piling up cotton goods in this country, he complained, in order to discourage the young American industry. Brown was hoping to obtain federal aid for the domestic cotton industry.

Hamilton's report, submitted to the House of Representatives in 1791, set forth with facts and figures the argument for protective tariffs to encourage American manufactures. He foresaw the prospects of colossal wealth for the few from the production of goods in this country. But manufacturers here were handicapped by scarcity of labor and of capital to develop new industries and new plants. In Hamilton's words:

"The objections to the pursuit of manufactures in the United States represent an impracticability of success, arising from three causes; scarcity of hands, dearness of labor, want of control."

Hamilton outlined what he called the "principal circumstances" proving that manufacturing would increase production and wealth in the United States:

"These circumstances are, 1. The division of labor. 2. The extension of the use of machinery. 3. Additional employment to classes of the community not ordinarily engaged in the business. 4. The promoting of emigration from foreign countries. 5. The furnishing of greater scope for the diversity of talents and dispositions which discriminate men from each other. 6. The affording a more ample and various field for enterprise. 7. The creating in some instances a new, and securing in all, a more certain and steady demand for the surplus produce of the soil."<sup>99</sup>

For high-cost labor would be substituted labor-saving machinery under Hamilton's plan, which sounds much like the proposals of present-day capitalists. He called it "mechanic power" to economize on labor and thus reduce the costs of production. To meet the objections of farmers, since the United States was still primarily agricultural, Hamilton argued that new factories would make jobs for their wives and children. What he was actually urging was the exploitation of women and children as low-paid labor. He wrote:

"The husbandman himself experiences a new source of profit

and support from the increased industry of his wife and daughters; invited and stimulated by the demands of the neighboring manufactories. . . .

"Women and children are rendered more useful, and the latter more early useful, by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain, it is computed that four sevenths, nearly, are women and children and many of them at a tender age."<sup>100</sup>

Emigration from the Old World, the report showed, was bringing thousands of artisans to this country, in search of jobs because wages were higher than in England and the cost of living was lower. So the shortage of labor would soon be made good. He suggested that financial aid might be given to bring over "valuable workmen, in every branch, who are prevented from emigrating solely by the want of means."

To offset the "want of capital," Hamilton argued that promising opportunities for investment in this country would attract capital from abroad. Merchants who would lose some of their profitable foreign trade when imports were reduced would soon find adequate compensation in the development of domestic trade.

Raw materials from the southern part of the United States would be exchanged for finished products from the North and both would gain, the report stated. The growing demand for farm products and raw materials in manufacturing towns would benefit planters, farmers, and lumbermen. For a time, of course, consumers would have to pay higher prices for commodities "protected" by tariffs, but Hamilton claimed that gradually prices would come down as domestic consumption developed. This was his argument:

"When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded, and accordingly seldom or never fails to be sold cheaper, in process of time, than was the foreign

article for which it is a substitute. The internal competition which takes place . . . by degrees reduces the price of the article to the minimum of reasonable profit on the capital employed." He did not define "reasonable profit."

Hamilton urged the development of manufactures in this country by every possible means, including "the encouragement of new inventions and discoveries at home, and of the introduction into the United States of such as may have been made in other countries: particularly those which relate to machinery." He pointed out that it was customary among manufacturing nations to prohibit "under severe penalties, the exportation of implements and machines, which they have either invented or improved."<sup>101</sup>

To cut down imports of foreign goods and aid American manufacturers in expanding production here, the report proposed tariffs on textiles, metal and glass, sugar and all the finished products from leather, wood, and grains. These proposals were quickly carried out by Congress in new legislation. Under the new tariff laws, most raw materials were left free, but indigo, hemp and molasses were taxed.

Duties on manufactured articles rose steadily from an average of 7.5 per cent in 1789 to 15 per cent by 1795. With such high tariffs, imported goods became luxuries to be enjoyed only by the well-to-do in the new country. Wines from France, olives and fruits, raisins and spices from Italy and Spain were among the luxuries carrying heavy revenue duties.

Hamilton's report was a blueprint for the capitalism that was to develop in the 19th century. It expressed in words the principles of a capitalist system that would bring startling profits and increasing wealth for the few. At the same time it would mean growing exploitation and poverty for the great masses of working people. These principles were eagerly adopted by textile and iron and other manufacturers during the next twenty years of the century. They led in turn to the organization of trade unions and the labor struggles of the early nineteenth century as labor sought to protect itself against the developing exploitation.

## FACTORY SYSTEM MAKES ITS START

During the first twenty years after the Revolution, American manufacturing developed slowly. Agriculture and domestic industries were still the chief productive activities. Land was abundant. Farming was profitable, except when some calamity destroyed the crops. And money capital was bringing high returns from foreign countries. American producers were, however, beginning to apply the new British inventions which revolutionized textile manufacture and laid the foundation of modern industry. James Watt in 1769 had made practical the use of steam power, and in England fifteen years later this was first utilized in cotton mills. Meantime three other epoch-making changes had been introduced.

In 1770, James Hargreaves, an English carpenter and weaver, had obtained a patent for his spinning-jenny—the first multiple spinning frame. About the same time, Richard Arkwright was developing a waterframe for utilizing water power for textile manufacture. Nine years later, Samuel Crompton, building on their inventions, originated the spinning-mule by which the automatic spinning frame was improved and made practical for the finer yarns.

These inventions were brought to the United States by Samuel Slater, an English textile worker who was drawn to this country in 1789 by the fact that Pennsylvania had just awarded £100 to the inventor of a power carding machine. Under British law he could not bring with him drawings and specifications for new British textile machinery, but he found two merchants in Rhode Island, William Almy and Moses Brown, who were interested in its development. Brown put up the capital and Slater designed the Arkwright cotton-spinning machine from memory. In 1790 Slater opened at Pawtucket the first textile mill in this country.

Moses Brown was engaged in making coarse cloth for southern slaves. This was evidently already a profitable business for northern merchants and it was to become more so during the decades that followed, as the factory system developed and the

gradual introduction of machines made mass production possible.

Arkwright's machinery for using water power in textile manufacture displaced the spinning jennies. Its introduction was really the first step in building the factory system in this country. But it was another twenty-five years before all the operations of manufacturing cotton cloth were actually brought together to be worked out in one continuous process in one establishment.

For many years the old and the new still existed side by side. Homework was common in New England long after the new textile mills of the 1790's had opened their doors. Farmers' wives could finish and trim cloth goods at home, cover buttons, and bind shoes—thus getting a little employment to supplement the family income.

But women and children could easily learn the work in the early textile mills and the employment of child labor was an important factor in developing the factory system. Two girls and seven boys under twelve years old were employed by Slater when he opened his mill. Hours of work were from sun-up to sun-down. Wages averaged less than fifty cents a day, usually paid with store orders or with cloth or iron. On such exploitation of labor, merchant capitalists laid the foundation for the great fortunes that grew through the nineteenth century.

Slater's successful "Old Mill" at Pawtucket showed other budding capitalists what profits could be made in the new textile industry. Those who had made their money in shipping and trade began to invest it in cotton mills. During the 1790's, new mills were opened at Slatersville, Rhode Island; Pomfret, Connecticut; Union Village, New York; and other centers, but progress was slow. And by 1800 there were still only eight cotton factories in the country, one at Beverly, Massachusetts, four near Providence, and three in Connecticut.

Already in the New England of the 1790's a small group at the top controlled capital resources not available to others. "The few who possessed surplus incomes sought conservative investments in their own neighborhood. . . . Money could be pro-

cured on mortgages at five per cent, although mercantile profits were high and rewards of capital in speculative undertakings were excessive.<sup>102</sup>

From his textile interests Moses Brown rolled up a sizable fortune as wealth was counted in those days. His nephew, Nicholas Brown, increased his wealth in the shipping trade and together they endowed Rhode Island College, later renamed Brown University in their honor.

Connecticut linen manufacturers, making canvas, thread, and stockings in 1791, reported a profit of ten to twenty-five per cent on their investment. No exact record of profits is available for the years between Hamilton's Report and the War of 1812, but they were certainly large enough to encourage a moderate growth of industry. Samuel Slater who had arrived penniless in America in 1789 accumulated over \$690,000 in the next forty years.

These early textile fortunes were small by comparison with the wealth garnered in later years after the Lowells, Appletons, Lawrences, Bordens, and others had built their factories along the rivers of New England. But the earlier fortunes were seedlings which grew and multiplied during the next hundred years of American capitalism.

While the Arkwright machine was making possible increased profits from textile manufacture, an enterprising American, Eli Whitney of New Haven, was experimenting with inventions to speed production of cotton fibres. He was the first outstanding American making original contributions to technical progress. In 1794 he patented his cotton gin for separating the seed from the lint. By reducing the cost of cotton fibres, the cotton gin stimulated a much wider demand for cotton. While a slave could clean only five or six pounds of cotton a day, working by hand, the new machine run by horsepower ginned three hundred pounds of cotton a day.

Four years after patenting his cotton gin, Whitney applied successfully, in a New Haven firearms factory, the principle of standard interchangeable parts. For every part of a musket he had a mold. This great contribution to industrial technique



laid the cornerstone for increased mechanization of industry and the development of mass production.

## CORPORATIONS DEVELOP

Finance, meantime, was plunging ahead of industry, as increasing numbers of chartered corporations appeared in the field of banking, insurance, and land, along with the older turnpike, bridge, and canal companies. Stock exchanges, more or less formally organized, functioned first in Philadelphia (1791) and, shortly afterward, in New York and Boston. During the decade of the 1790's, two hundred and ninety-five corporation charters had been issued. And by 1803, some \$48,400,000 of corporation stock issues were outstanding. Bank stocks made up three-fourths of this total, and among the remainder insurance companies now overshadowed the older turnpike and canal companies.

But all corporation securities together were still secondary to the more than \$81,300,000 of federal bonds.

Foreign capital was heavily invested in American holdings. In fact, more than half of all outstanding federal issues were held abroad, chiefly by English and French investors. Only in the new American insurance companies and in the securities of turnpike and canal companies were the investments of foreign capital quite negligible. (Estimate as of June 30, 1803, published in 1806.)<sup>103</sup>

Throughout those early years, the business world was working out experimentally the most profitable relation between government and privately owned banking. Alexander Hamilton, Secretary of the Treasury during the first six years of our national life, was spokesman and agent for northern finance which was much more highly developed than the business world of the southern agricultural states. In 1791, Hamilton proposed, and northern congressmen carried through against strong southern opposition, a plan for a federally chartered "United States Bank," owned one-fifth by the Federal government and four-fifths by private shareholders. With its branches in commercial ports

from Boston to, ultimately, New Orleans, it was the chief depository of Federal funds.

Profits from this first United States Bank were so substantial that in 1802 private interests (including some foreign investors) bought out the government holdings. The government had performed its function of giving the bank prestige and starting it on the road of financial profit. Throughout the twenty years of its existence, the shareholders of this bank profited from aiding the Federal Treasury with short-term loans.

Official favors were extended also, of course, to the unofficial banks which had been chartered by nine of the thirteen seaboard states in Philadelphia, New York, and other ports. (No bank had been chartered in New Jersey, Virginia, North Carolina, or Georgia.)<sup>104</sup> All these banks were supplementing the very small supply of metal currency with bank notes thrown into circulation as loans to their customers and payments to depositors and stockholders. But so long as the United States Bank was functioning (until 1811) it was the chief Federal depository and the source of one-third to one-half of the total volume of bank notes. It was liquidated with great profit to the shareholders.

To the people, this United States Bank had appeared to be a dangerous monopoly through which the government was buttressing the profits of private capital. The fight over this bank carried forward in a new form the old conflict between the developing capitalist structure of trade and finance and the world of small producers. Merchants were trying to create through commercial banks a medium of exchange dependable in value and flexible in volume. They were also interested in banks as a profitable outlet for capital investment and as a source of short-term business loans. Small producers, on the other hand, saw in the banks only a new apparatus by which farmers and artisans would be exploited and the financial power of the merchants would be consolidated.

Corporations in the 1790's were maintaining the turnpikes which (as privately owned concerns) remained, until the opening of the railroad era, as the basic arteries of travel by land.

New companies were also organized to build canals and bridges, to conduct banks and insure property. As early as 1789 the Beverly Cotton Manufactory was incorporated in Massachusetts and during the next eleven years industrial enterprises were also chartered in Connecticut, New York, and New Jersey. Kentucky gave 6,000 acres of land to a group of trustees incorporated in 1799 for manufacturing purposes.

By the century's close, eight manufacturing companies were doing business in the United States but they were not as yet such profitable corporations as the banks. One company, the Society for Establishing Useful Manufactures, incorporated at Paterson, New Jersey in 1791, survived even into the twentieth century. Other manufacturing corporations chartered during the closing years of the seventeenth century included: the Connecticut Silk Manufacturers, Newbury-Port Woolen Manufactory in Massachusetts, the Calico Printing Manufacture in Boston, the Salem Iron Factory Co. in Massachusetts, and the Hamilton Manufacturing Society, near Albany, New York.

Only a banking corporation had paid-in capital of over \$1 million, if we include among the banks the Manhattan Company in New York City. Of the twenty-nine banking corporations chartered before 1800, "Nearly all yielded profits ample to reward their stockholders, and some were paying such dividends that the stock sold considerably above par."<sup>100</sup>

By 1800 "the corporation was a familiar figure in the economic life of the larger American cities; and it was rapidly ceasing to be an object of awe in the smaller towns and country districts."<sup>100</sup> Some twenty-five of these eighteenth century corporations were still in existence in 1917 when this detailed study was made. By the time of Jefferson's inauguration, corporations in the United States had laid a solid base of capitalism on which the later generations could build. Stock exchanges

As the population increased, settlers swarmed over into the were functioning in the leading ports, and New York was developing as the financial capital of American business, western valleys of Pennsylvania and the regions which we know as West Virginia, Ohio, Kentucky, and Tennessee.

## SPECULATING IN WESTERN LANDS

At least three trails to the country west of the Alleghenies had been widened by traffic into rough and difficult roads on which western settlers moved in caravans of Conestoga wagons. These cumbersome affairs, each as big as a small freight car carrying more than a ton, were hauled by four, six, or ten horses. Moving slowly westward, they would meet riders with great herds of cattle and droves of swine traveling on the hoof to eastern markets. Log bridges were sketchy and insecure. It is scarcely surprising that although three roads (from Philadelphia, Baltimore, and Alexandria) converged upon Pittsburgh, that city was already a manufacturing center, attempting to supply its own needs without depending upon freight brought inland from the coast.

George Washington, and others who had begun to speculate in western land, realized that the tide of settlement would rise faster if the difficulties of travel could be somewhat eased. They also saw the possibilities of profit from the building of privately owned highways with hard foundation, and strong, dependable bridges. And they were not mistaken. Many of these early capitalist ventures in the field of transportation brought a "satisfactory" profit return. The first chartered turnpike company built the road from Philadelphia to Lancaster, completed in 1794. This cost \$465,000 and from its nine toll gates gave the owners a yearly return of fifteen per cent on their investment. Turnpike companies were denounced by the pioneers as monopolies, but they provided much-needed arteries for travel and transport on which, in true capitalist fashion, the owners charged all that the traffic would bear. Stage lines, providing commercial transport by land, grew with the expanding population. In the eastern states, by 1805, passenger stages, carrying the mail, covered the route from Wiscasset, Maine, to the southern edge of Georgia.<sup>107</sup>

Even in those early days the Federal government was drawn in to aid in the building of roads, and hot discussions began over the constitutionality of such aid. Not until 1806 did Congress

take the first steps toward construction of a broad "National Highway" from Cumberland to Wheeling. This was completed in 1818 and became the chief artery of western migration until the wagon teams of settlers were displaced by railroad travel.\*

Federal action on western land was imperative after the Revolution since at least four states (Connecticut, Massachusetts, New York, and Virginia) had overlapping claims in the western territory ceded by Britain to the United States. Also, already pioneering in the west were fur-traders, frontier settlers squatting without title, and land speculators, all with mutually conflicting interests. And last to be considered—except when they went on the warpath against the invaders and were driven back in bloody combat—were the native Indians whose homelands the settlers and speculators were invading.

The coastal states had promised in 1780 and 1781 to yield to the national government their claims to western land. This policy was established upon the demand of Maryland and other states which had no such reserve of potential wealth for meeting the costs of the Revolutionary War. The transfer was finally completed in 1786.

Meantime, one of the first important acts of the Confederation of States (preceding the establishment of our present Federal Government) had been the Land Ordinance of 1784. Both settlers and speculators assumed that, among them, the white Americans and not the native Indians had the right of possession. The federal land law of 1785 provided for sale of land by the national government in sections of 640 acres at not less than \$1 an acre. Since few pioneers could command such a sum as \$640, this opened the door to private land companies of wealthy speculators who bought title to considerable areas and sold much smaller holdings at higher prices to pioneers.

Again, in 1787, another Ordinance on settlement of the "Old Northwest" was passed to satisfy the Ohio Associates. This was a land company headed by distinguished citizens (including

\* Later extended to Santa Fe, this road was placed in 1937 under control of the several states through which it passed. Today it is still known as the National Pike, crossing the continent from Washington to Los Angeles.

a clergyman) who were allowed to buy 1,500,000 acres for \$1,000,000 in "Continental" which had sunk in value to about twelve cents on the dollar. Congressional opposition had been overcome by the simple device of organizing another (similar) scheme among Congressmen, known as Scioto Associates, who would obtain a much larger grant on the same terms. When this Ordinance of 1787 came to a vote in Congress, only one voice was raised against it.

The great land grab in the area that is now the state of Tennessee reflects what was going on in other regions throughout the 1780's and 1790's. Most of the land beyond the Appalachian Mountains was still held by the Indians but because they had supported the British during the Revolutionary War they were considered to have forfeited their rights, in the opinion of settlers and speculators.

In 1783 speculators from North Carolina took over nearly four million choice acres of land to the west of their state. "This adventure of 1783 was a huge success, yielding handsome fortunes to those who were in a position to profit by it."<sup>108</sup> It was followed by other similar ventures. Humble settlers suffered the hardships of frontier life and protected the holdings of absentee proprietors.

These speculators had as their objective "the exploitation of the public lands, and their whole policy was bent toward that end. The picturesque frontier colonels were in their service no less than the local politicians of the East. In fact, the West, more sparsely settled and more intent upon elemental problems of subsistence, was rather more easily exploited than were the older communities."<sup>109</sup>

The policy instituted in the early land ordinances naturally concentrated holdings in the hands of a few owners and speculators. It was modified in 1800 and by later acts to permit the sale of land, on credit, in minimum tracts of 160 and 320 acres. With the price fixed at \$2 an acre, settlers could pay for it on the installment plan over a three-year period.

Later under President Jackson in 1830, public land policy was further modified to allow "pre-emption" of land (at a price) by

pioneers who had actually settled on public land and begun to cultivate it. But not until the Homestead Act of 1862 were the public lands opened to actual settlers in "quarter-sections" (160 acres) on payment of a mere \$10 fee.

## AFTER TWO HUNDRED YEARS

During the last decade of the eighteenth century the population of the new Republic increased by more than a third until by 1800 there were over 5.3 million people in the United States. Of these more than 894,000 were slaves.<sup>110</sup>

Workers and farmers from Europe were already coming into the new country at the rate of about 8,000 a year. When British armies defeated the revolutionists in Ireland in 1797 and 1798, Irish workers had started coming to the United States for the traditional refuge that was later to inspire the words on the Statue of Liberty, written by the Jewish poet, Emma Lazarus. They could not foresee the life of the sweatshop and the slums they were to know in the cities of America.

In the new communities beyond the Appalachian Mountains, a considerable population had already settled by the turn of the century. The Census of 1800 showed over 50,000 persons in the northwestern group of states—Ohio, Indiana, Illinois, Michigan, Wisconsin, and Iowa. In the southwestern group—Kentucky, Tennessee, Alabama, Mississippi, and Louisiana—there were over 335,000. In all these states the population was to increase by many thousands during the next twenty years, as people moved westward from the Atlantic seaboard.

A lively trade was developing between the new communities beyond the mountains and British and Spanish ports. Farm products were shipped down the Mississippi to New Orleans or through the Great Lakes and the St. Lawrence to Quebec. Western settlers found this foreign trade more profitable than commercial dealings with eastern manufacturing towns, thus starting a conflict of interest between western farmers and eastern manufacturers that continued even into the twentieth century.

On the eastern seaboard manufacturing industries were ex-

panding so that by 1800 the early factory system was definitely taking root. New England, as we have seen, had its cotton mills and iron works. Iron-making had extended from the New England states and New York into Pennsylvania before the end of the century. Pennsylvania was soon to lead all the states in output of furnace iron. "Furnaces also had been erected tributary to Pittsburgh, in the western part of the state."<sup>111</sup>

During the Revolution the Sterling Iron Works in Orange County, New York, had forged in six weeks a huge 500-foot, 180-ton chain to hang across the Hudson River for blocking invasion by British ships. As early as 1793 Revere Foundry at Boston was casting brass bells and cannon, and iron stoves, kettles, anvils, and hammer-heads.<sup>112</sup>

Iron-masters found their business extremely profitable during the last decade of the century. New forges and furnaces were built while many that had been discontinued were opened again. A corporation was organized in 1800 to manufacture iron at Salem, Massachusetts. A map of iron works up to 1800 shows the eastern seaboard thickly dotted with forges, bloomeries, furnaces and mills. In more scattered lines the iron works are shown extending down through the mountains of Virginia, North Carolina and Tennessee.<sup>113</sup>

Hamilton's Report on Manufactures in 1791 had registered a turning-point in the new industries, and his principles prevailed among merchant capitalists, employers, bankers, landowners, and other groups of the well-to-do. In opposition to Hamilton and the Federalists there had arisen the Democratic Societies and the Democratic-Republican Party of which Thomas Jefferson was the leader.

Jefferson's party was labeled "Jacobin" and he himself was called a "red Republican" and an agent of the French Revolution. But his Democratic-Republican principles appealed especially to artisans and farmers who distrusted the Federalists. Suffrage was still strictly limited so that the great majority of workingmen were not eligible to vote. Almost all the states had set some property qualifications for voters. The election campaign of 1800 was marked by extreme bitterness



and what we would today call red-baiting. Federalists threatened workers and told them they would lose their jobs if the candidate of the Democratic-Republican Party, Jefferson, won the election. But Thomas Jefferson was elected President of the United States and took office in 1801. His election and the defeat of the Hamiltonians marked one of the most significant changes in American history.

Slavery still existed and dominated the southern states. The long drawn-out struggle for its abolition had scarcely begun, although the slave trade was already subject to some regulation. In 1800 nearly 900,000 or about 17 per cent of the whole population were slaves. Between 1790 and 1800 the Negro population of North Carolina had increased by nearly a third while the white population showed a growth of only 17 per cent. In Virginia there was a similar difference in the increase of Negro and white population.

The slave trade and the entire slave system involved incredible brutality, as we have seen. Husbands and wives were separated if the master chose to buy or sell one without the other. Children were torn from their parents and sold separately. Breeding of slaves as "self-propagating labor" had become a profitable business, involving little or no capital investment but bringing in large sums of money to the successful white breeder and slave-owner. Housing for slaves required only the bare wooden cabins of the most primitive sort. Their clothing was of the coarsest cotton made in New England for the profit of northern merchants. Food for slaves was kept at the minimum necessary to provide only strength enough to work. For the slightest "insubordination" a man, a woman, or a child would be cruelly lashed as an example to others. Runaway slaves were hunted down with bloodhounds and, if found, brought back to worse treatment.

Against such conditions as these, open discontent had flared among the slaves in Virginia as early as 1663 and from time to time throughout the 18th century. Slave uprisings had occurred in Louisiana in 1791 and 1792 and more widespread revolts in Virginia in the latter year. Indeed "the dozen years following

1790 formed a period of more intense and widespread slave discontent than any that had preceded (with the possible exception of the much shorter period from 1737 to 1742)."<sup>114</sup> Great Negro uprisings had taken place in the nearby West Indies and a revolutionary philosophy was in the air both in the United States and in Europe.

In the spring of 1800 occurred the conspiracy named after its leader, the slave Gabriel, when some 1,000 slaves, armed with clubs, scythes, home-made bayonets and a few guns, came together near Richmond, Virginia. They were "conscious revolutionists," refusing to betray their comrades. Intending at first to march upon the white masters of the city, they disbanded without attacking. The leaders were caught and hanged.

The various groups described as mechanics, artisans, journeymen, apprentices, indentured servants and slaves made up the labor force in the United States of 1800. Many of those coming from England in colonial times, and later from Ireland, Scotland, and Germany, were indentured servants, some migrating voluntarily and others condemned to servitude in the colonies because of some offense. Those who came voluntarily sold themselves into temporary bondage to the persons who advanced the money for their passage. They were bound by contract to work for a certain period of time, usually to learn a trade under a system of industrial apprenticeship, before they could become freedmen. Probably one-half of all the immigrants in the pre-Revolutionary period came as indentured servants. Such contract labor was protected by law even after the Revolution, but white servitude was gradually discontinued.

Mechanics or artisans were the skilled handicraftsmen, including brickmakers, carpenters, coopers, shoemakers, blacksmiths, bakers, tailors, hatters, printers, silversmiths and many others. Their skill was usually acquired only by long apprenticeship. If the mechanic could acquire a small amount of capital, he could set up his own shop and begin to employ others. Because of the shortage of skilled artisans during the first 200 years of American history, they had received special privileges. They were granted loans from public funds, without interest, so

that they could open shops and buy raw materials. Alexander Hamilton proposed, as we have noted, that financial aid be extended by the new United States government to mechanics in England and other countries, to enable them to come over and ply their trades in America. But the shortage of skilled workers still continued far into the 19th century.

Master workmen gradually became separated as a class from the journeymen or workers whom they hired and paid in wages. The journeyman who had learned a handicraft or trade was paid in accordance with his skill and the amount of work he could turn out in a given time.

Wages for such skilled workers as carpenters and masons in New York City in the late 1780's were only four shillings a day while unskilled workers were earning only two shillings a day.<sup>115</sup> Between 1791 and 1799, the cost of living rose by more than 35 per cent while money wages went up by only 26 per cent. Real wages thus declined by over 7 per cent during the decade.<sup>116</sup>

Even unskilled workers were not paid on a regular basis. Their wages were usually handed out in orders upon particular shops for clothing, food, and other necessities. (This practice was still common in the mining towns of this country during the first third of the 20th century.) Workers were forced to pay higher prices at the employers' stores where the scrip could be redeemed, and the result was a substantial loss in purchasing power.

Hours of work were still traditionally from sun-up to sun-down, so that a wage-earner must labor from at least nine hours a day in winter up to as much as 14 hours in summer to earn his meager pay. As women and children were brought into textile mills, in accordance with Alexander Hamilton's program, they too worked 12 to 14 hours a day for wages far less than skilled mechanics and journeymen received.

In protest against low pay and long working hours, artisans, mechanics, and other skilled craftsmen in northern cities had begun to organize to protect themselves against the exploitation that increased with the power of the merchant-capitalists. Journeymen printers of Philadelphia struck in 1786 for a minimum

wage of \$6 a week. Journeymen carpenters also in Philadelphia went out in 1791 "on the first recorded ten-hour strike in this country, lost the strike but afterwards organized a co-operative society and advertised their work at some 25 per cent less than the prices established by the masters."<sup>117</sup>

Shoemakers of Philadelphia formed a union in 1792 and by 1794 had established the Federal Society of Journeymen Cordwainers. In 1799, just before the century-end, they walked out against a wage cut in what is generally called the first organized strike, lasting nine or ten weeks. They were finally forced back to work without gains, but this early strike showed the budding solidarity of labor as the bootmakers went out in sympathy with the shoemakers. The only recorded strikes of other workingmen before 1799 were "unorganized."

By 1800 there were local craft unions in a number of towns. Printers were organized in New York; journeymen tailors in Baltimore; cordwainers in Philadelphia; cabinet and chair makers in New York. These unions were organized with the purpose of gaining shorter hours and better wages. As such they were forerunners of the later unionism that gradually developed as American capitalism spread its tentacles over the entire country to reach its present monopoly, imperialist stage.

Many elements, as we have seen, went into the soil in which American capitalism took root. No mechanistic theory of economic determinism could explain the clash of forces that brought about the social and cultural changes in our history. "Marxism provides a clue," as V. I. Lenin wrote in 1914, "which enables us to discover the reign of law in this seeming labyrinth and chaos; the theory of the class struggle."<sup>118</sup> Karl Marx in the *Communist Manifesto* in 1848 explained this theory:

"The history of all human society, past and present [except the history of the primitive community, Engels added] has been the history of class struggles. Freeman and slave, patrician and plebeian, baron and serf, guild-burgess and journeyman—in a word, oppressor and oppressed—stood in sharp opposition each to the other. They carried on perpetual warfare, sometimes

masked, sometimes open and acknowledged; a warfare that invariably ended either in a revolutionary change in the whole structure of society or else in the common ruin of the contending classes. . . . Modern bourgeois society, rising out of the ruins of the feudal society, did not make an end of class antagonisms. It merely set up new classes in place of the old; new conditions of oppression; new embodiments of struggle. Our own age, the bourgeois age, is distinguished by this—that it has simplified class antagonisms."<sup>119</sup>

Marx and Engels further explained the materialist conception of history as follows:

"That the mode of production of material life determines the social, political and intellectual life processes in general; that all the social and political relations, all religious and legal systems, all the theoretical outlooks which emerge in the course of history, are to be comprehended only when the material conditions of life of the respectively corresponding epochs are understood and the former are derived from these material conditions. . . .

"At a certain stage of their development the material forces of production in society come into conflict with the existing relations of production or—what is but a legal expression for the same thing—with the property relations within which they have been at work before. From forms of development of the forces of production these relations turn into their fetters. Then begins an epoch of social revolution. With the change of the economic foundation the entire immense superstructure is more or less rapidly transformed."<sup>120</sup>

Modern capitalist society in the United States has risen from the roots we have traced in early American history to the highest or imperialist stage of development, the stage of finance capital, as Lenin explained. The class antagonisms of 150 years ago were simplified and sharpened in later years. From its early beginnings capitalist industry grew and expanded into the wealth and power of the Wall Street bankers and industrialists who rule the United States today.

Capitalism is based upon the private ownership of industry and the exploitation of workers through the wages system. It is periodically weakened by the economic crises which have characterized its history for the past three hundred years. But the United States by its location was able to escape the devastation that the first and second world wars brought to Europe and to parts of Asia. American capitalism emerged from World War II in a stronger position, in relation to other capitalist countries, than before the war. It had greatly prospered from the wars which were undermining capitalism in other countries. Faced now with a developing economic crisis, capitalists in this country are seeking to overcome it by a new war drive to stimulate production. They have engineered the North Atlantic Pact against the Soviet Union in Europe and are encouraging other war pacts in Asia and Latin America. They threaten all countries that will not come into the orbit of American imperialism.

Powerful as it seems today, American capitalism is nevertheless challenged by the rise of socialism in the Soviet Union and in the peoples' democracies in Europe and the Far East. William Z. Foster in his book, *The Twilight of World Capitalism*, sees the capitalist system as having passed its zenith and begun to sink into decline, while world socialism is steadily developing. "There are now strong reasons to believe," he says, "that socialism has already become the more powerful of the two systems on a world scale. Historians will probably record that the years immediately following World War II constituted the time when the world balance of forces was definitely tipped on the side of socialism."<sup>121</sup>

American labor also is challenged by this rise of socialism in other countries to know and understand the new system of society in which production is carried on for social use instead of private profit. The sixteen million members of trade unions and the other millions of unorganized workers in this country today have a strength and power as yet unrealized. Allied with labor are the poor farmers, the Negro people, and the progressives in many professions—all who fight against capitalism and reaction, and the threat of fascism in the United States.

Most exploited of all groups in 20th century America are the

Negro people who were freed from slavery nearly 90 years ago. Today they still suffer constant persecution and discrimination. They are framed up on false charges, wantonly killed and lynched. Reactionary forces still succeed in blocking the efforts of the progressives, North and South, to end this savage persecution of a people and establish for them the full civil rights that are supposedly guaranteed by the United States Constitution.

From anti-labor forces we face also a serious threat of fascism in this country—the open, terrorist dictatorship of the most reactionary, most chauvinist, and most imperialistic elements of finance capital. But labor and its allies can look across the Pacific and the Atlantic oceans and see the peoples of many other nations planning their own socialist systems of society in which the major means of production and distribution are in the hands not of monopoly capitalists but of the people themselves. And with the labor movement and its allies rests the power to choose whether we shall submit to the most reactionary forces of capitalist society or move on toward socialism in this country.

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